

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Year Ended December 31, 2009



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

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ALEXANDRIA, MINNESOTA**

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ALEXANDRIA, MINNESOTA**

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2009**

| <u>Office</u> | <u>Name</u> | <u>Term Expires</u> |
|----------------------------|------------------------|---------------------|
| Commissioners | | |
| 1st District | Jerry Johnson | January 2013 |
| 2nd District | Norm Salto | January 2011 |
| 3rd District | Bev Bales ¹ | January 2013 |
| 4th District | Paul Anderson | January 2011 |
| 5th District | Dan Olson | January 2011 |
| Officers | | |
| Elected | | |
| Attorney | Christopher Karpan | January 2011 |
| Auditor/Treasurer | Thomas Reddick | January 2011 |
| County Recorder | Dawn Crouse | January 2011 |
| Registrar of Titles | Dawn Crouse | January 2011 |
| Sheriff | Troy Wolbersen | January 2011 |
| Appointed | | |
| Assessor | A. Keith Albertsen | December 2012 |
| Coordinator | William Schalow | Indefinite |
| Highway Engineer | David Robley | May 2012 |
| Surveyor | Gary Stevenson | Indefinite |
| Veteran's Service | Ray Kallstrom | September 2011 |
| Medical Examiner | Mark Spanbauer, M.D. | Indefinite |
| Director - Social Services | Michael Woods | Indefinite |
| Director - Public Health | Sandy Tubbs | Indefinite |

¹Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Douglas County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Douglas County, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Douglas County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Douglas County Hospital, reported as the Hospital Operating Enterprise Fund, which is both a major fund and 98 percent, 97 percent, and 100 percent, respectively, of the assets, net assets, and revenues of the business-type activities. We also did not audit the financial statements of the Housing and Redevelopment Authority of Douglas County, which is 11 percent, 9 percent, and 34 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Douglas County Hospital and the Housing and Redevelopment Authority of Douglas County, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Douglas County as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Douglas County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2010, on our consideration of Douglas County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 7, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(Unaudited)**

INTRODUCTION

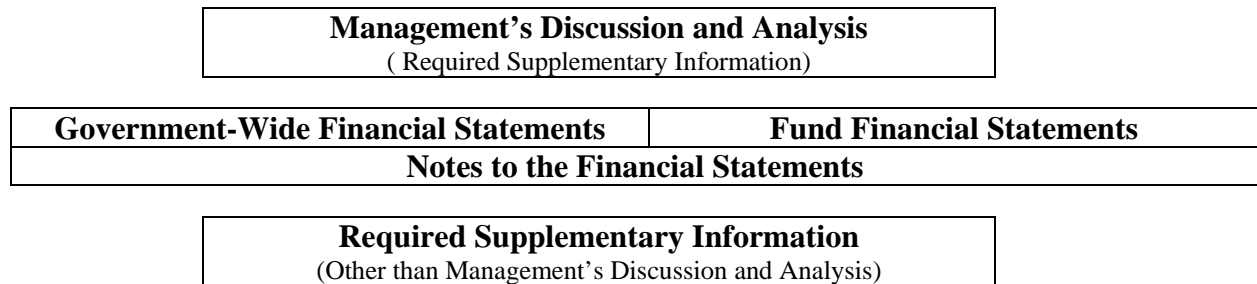
Douglas County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$82,730,013, of which \$71,264,968 is invested in capital assets, net of related debt, and \$2,606,375 is restricted to specific purposes/uses by the County.
- Business-type activities have total net assets of \$58,045,973. Invested in capital assets, net of related debt, represents \$21,917,640 of the total; \$2,658,212 of the total business-type net assets is restricted for specific uses.
- Douglas County's net assets (governmental activities and business-type activities) total \$140,775,986 for the year ended December 31, 2009. Invested in capital assets, net of related debt, represents \$93,182,608 of the total; \$5,264,587 of the total net assets is restricted for specific uses, and \$42,328,791 is unrestricted.
- The net cost of Douglas County's governmental activities for the year ended December 31, 2009, was \$20,704,355. General property tax revenues and other revenue sources totaling \$24,163,978 funded the County's governmental net cost of \$20,704,355.
- Douglas County's governmental funds' combined fund balances totaled \$29,038,110 at December 31, 2009. This was an increase of \$4,396,291 over fund balance at December 31, 2008.
- Douglas County's long-term debt increased by \$11,071,732, or 24.4 percent, to \$56,453,672 as of December 31, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

Douglas County's MD&A report serves as an introduction to the basic financial statements. The County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.



Douglas County presents two government-wide financial statements. They are the Statement of Net Assets and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of Douglas County's finances. The County's fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Douglas County financed these services in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to Douglas County Hospital's operations and facilities. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about Douglas County as a whole and about its activities in a way that helps the reader determine whether Douglas County's financial condition has improved or declined as a result of the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements consider all of Douglas County's current year revenues and expenses regardless of when the County receives the revenue or pays the expense. These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure Douglas County's financial health or financial position. Over time, increases or decreases in the County's net assets are one

indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the general economic conditions of the state and County to assess the overall health of Douglas County.

In the Statement of Net Assets and the Statement of Activities, we divide Douglas County into three kinds of activities:

- Governmental activities--Douglas County reports its basic services in the "Governmental Activities" column of these reports. The activities reported by the County include general government, public safety, highways and streets, human services, health, culture and recreation, conservation of natural resources, and economic development. Douglas County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.
- Business-type activities--The Douglas County Hospital charges a fee for services rendered to patients. Revenue is received from patients and third-party payers to help cover most of the costs to operate these facilities and pay for the services provided. The activities of the Hospital are reported here.
- Component units--Douglas County includes two separate legal entities in its report, Pope/Douglas Solid Waste Management and the Douglas County Housing and Redevelopment Authority. These entities are presented in a separate column. Although legally separate, these component units are important because the County is financially accountable for them.

Fund Financial Statements

Douglas County's fund financial statements provide detailed information about the significant funds--not the County as a whole. Significant governmental and proprietary funds may be established by the County to meet requirements of a specific state law; to help control and manage money for a particular purpose/project; or to show that it is meeting specific legal responsibilities and obligations when expending property tax revenues, grants, and/or other funds designated for a specific purpose. Douglas County's two kinds of funds--governmental and proprietary--use different accounting methods.

- Governmental funds--Most of Douglas County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported in our financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that the County can readily convert to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are financial resources available that can be spent in the near

future to finance various programs within Douglas County. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

- Proprietary funds--When the County charges customers for the services it provides--whether to outside customers or to other units of the County--these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities, such as the County's Self-Insurance Fund.

REPORTING THE COUNTY'S FIDUCIARY RESPONSIBILITIES

Douglas County is the trustee, or fiduciary, over assets, which can be used only for the trust beneficiaries based on the trust arrangement. The County reports all of its fiduciary activities in separate Statements of Fiduciary Net Assets. These activities have been excluded from the County's other financial statements because the County cannot use these assets to finance its operations. Douglas County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

Table 1
Net Assets

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|-------------------------|-----------------------|--------------------------|----------------------|--------------------------|-----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Assets | | | | | | |
| Current and other assets | \$ 35,812,636 | \$ 31,138,304 | \$ 56,631,997 | \$ 65,927,219 | \$ 92,444,633 | \$ 97,065,523 |
| Capital assets | 85,698,606 | 73,779,803 | 38,244,262 | 21,512,381 | 123,942,868 | 95,292,184 |
| Total Assets | \$ 121,511,242 | \$ 104,918,107 | \$ 94,876,259 | \$ 87,439,600 | \$ 216,387,501 | \$ 192,357,707 |
| Liabilities | | | | | | |
| Long-term liabilities | \$ 31,542,055 | \$ 19,695,944 | \$ 28,779,615 | \$ 29,022,227 | \$ 60,321,670 | \$ 48,718,171 |
| Other liabilities | 7,239,174 | 5,951,773 | 8,050,671 | 5,705,957 | 15,289,845 | 11,657,730 |
| Total Liabilities | \$ 38,781,229 | \$ 25,647,717 | \$ 36,830,286 | \$ 34,728,184 | \$ 75,611,515 | \$ 60,375,901 |
| Net Assets | | | | | | |
| Invested in capital assets, net of debt | \$ 71,264,968 | \$ 65,618,977 | \$ 21,917,640 | \$ 21,512,381 | \$ 93,182,608 | \$ 87,131,358 |
| Restricted | 2,606,375 | 2,726,142 | 2,658,212 | 741,770 | 5,264,587 | 3,467,912 |
| Unrestricted | 8,858,670 | 10,925,271 | 33,470,121 | 30,457,265 | 42,328,791 | 41,382,536 |
| Total Net Assets | \$ 82,730,013 | \$ 79,270,390 | \$ 58,045,973 | \$ 52,711,416 | \$ 140,775,986 | \$ 131,981,806 |

(Unaudited)

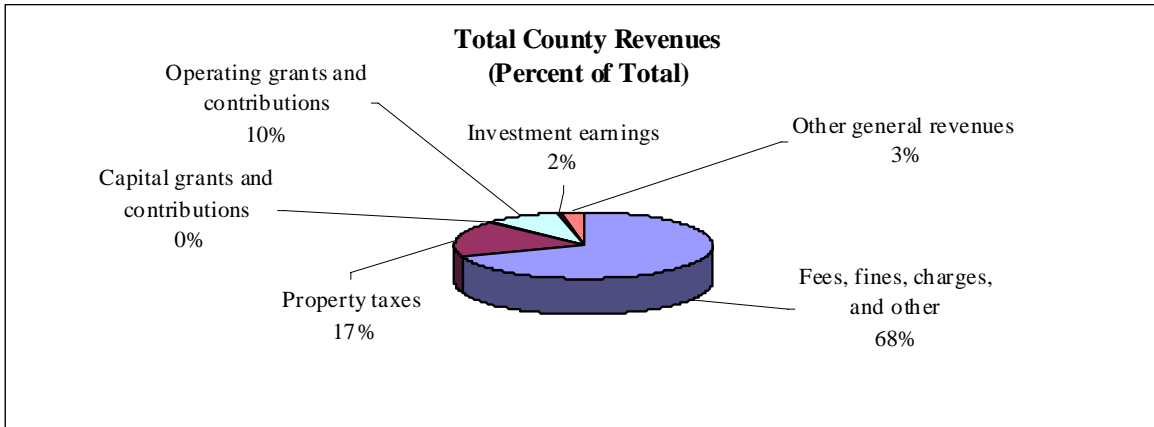
Page 7

Douglas County's total net assets as of December 31, 2009, total \$140,775,986. The governmental activities' unrestricted net assets totaling \$8,858,670 are available to finance the day-to-day operations of the governmental activities of Douglas County. The remaining unrestricted net assets totaling \$33,470,121 are available to finance the day-to-day operations of the business-type activities of the County.

Table 2
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|------------------------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|-----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Fees, charges, fines, and other | \$ 6,347,210 | \$ 5,961,475 | \$ 75,874,882 | \$ 71,116,834 | \$ 82,222,092 | \$ 77,078,309 |
| Operating grants and contributions | 10,715,925 | 11,667,943 | 345,677 | 4,510 | 11,061,602 | 11,672,453 |
| Capital grants and contributions | 813,899 | 49,976 | 45,606 | 8,512 | 859,505 | 58,488 |
| General revenues | | | | | | |
| Property taxes | 20,762,509 | 19,225,374 | - | - | 20,762,509 | 19,225,374 |
| Other taxes | 323,884 | 321,579 | - | - | 323,884 | 321,579 |
| Grants and contributions | 2,432,856 | 2,292,833 | - | - | 2,432,856 | 2,292,833 |
| Investment earnings | 280,165 | 862,898 | 405,529 | 1,000,930 | 685,694 | 1,863,828 |
| Other general revenues | 364,564 | 356,166 | - | - | 364,564 | 356,166 |
| Total Revenues | \$ 42,041,012 | \$ 40,738,244 | \$ 76,671,694 | \$ 72,130,786 | \$ 118,712,706 | \$ 112,869,030 |
| Expenses | | | | | | |
| General government | \$ 7,552,585 | \$ 7,170,489 | \$ - | \$ - | \$ 7,552,585 | \$ 7,170,489 |
| Public safety | 8,140,046 | 7,084,519 | - | - | 8,140,046 | 7,084,519 |
| Highways and streets | 7,285,763 | 6,218,222 | - | - | 7,285,763 | 6,218,222 |
| Human services | 8,203,443 | 8,583,869 | - | - | 8,203,443 | 8,583,869 |
| Health | 4,269,136 | 4,022,221 | - | - | 4,269,136 | 4,022,221 |
| Culture and recreation | 1,353,346 | 1,463,967 | - | - | 1,353,346 | 1,463,967 |
| Conservation of natural resources | 599,896 | 608,344 | - | - | 599,896 | 608,344 |
| Economic development | 48,045 | 46,067 | - | - | 48,045 | 46,067 |
| Interest | 1,129,129 | 505,610 | - | - | 1,129,129 | 505,610 |
| Hospital | - | - | 71,337,137 | 69,030,481 | 71,337,137 | 69,030,481 |
| Total Expenses | \$ 38,581,389 | \$ 35,703,308 | \$ 71,337,137 | \$ 69,030,481 | \$ 109,918,526 | \$ 104,733,789 |
| Increase in Net Assets | \$ 3,459,623 | \$ 5,034,936 | \$ 5,334,557 | \$ 3,100,305 | \$ 8,794,180 | \$ 8,135,241 |
| Net Assets - January 1 | 79,270,390 | 74,235,454 | 52,711,416 | 49,611,111 | 131,981,806 | 123,846,565 |
| Net Assets - December 31 | \$ 82,730,013 | \$ 79,270,390 | \$ 58,045,973 | \$ 52,711,416 | \$ 140,775,986 | \$ 131,981,806 |

Douglas County's total revenues for the year ended December 31, 2009, were \$118,712,706. The total cost of the County's programs and services for the year ended December 31, 2009, was \$109,918,526. The net assets for the County's governmental activities increased by \$3,459,623, mainly due to construction of additional infrastructure, a new Public Works facility and a new jail.



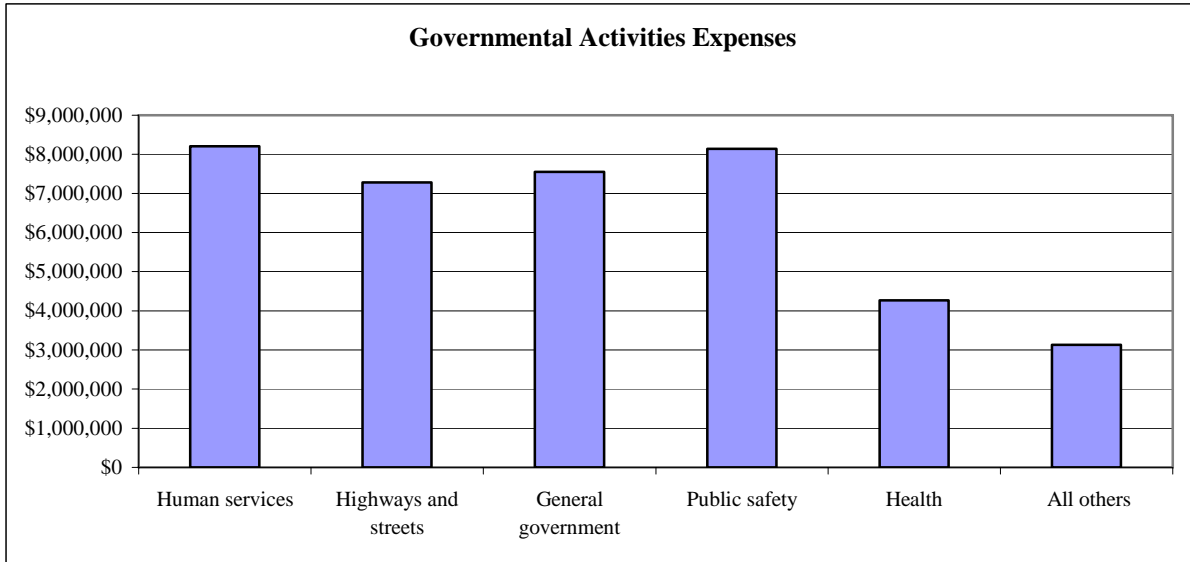
Governmental Activities

Revenues for Douglas County’s governmental activities for the year ended December 31, 2009, were \$42,041,012. The County’s cost for all governmental activities for the year ended December 31, 2009, was \$38,581,389. As shown in the Statement of Activities, the amount that Douglas County taxpayers ultimately financed for these governmental activities through local property taxation was \$20,762,509, because \$6,347,210 of the cost was paid by those who directly benefited from the programs, and \$11,529,824 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Douglas County paid for the remaining “public benefit” portion of governmental activities with \$3,401,469 in general revenues, primarily grants and contributions, which were not restricted to specific programs or services, and with other revenues, such as interest income, mortgage registration tax, and deed tax.

Table 3 presents the cost of each of Douglas County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Douglas County’s taxpayers by each of these functions. The net cost of services decreased four percent in part due to the reduction in cost of energy and an increase in revenues derived from fees for services to other agencies.

**Table 3
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|-------------------------------|------------------------|----------------------|----------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Program expenses | | | | |
| Human services | \$ 8,203,443 | \$ 8,583,869 | \$ 4,383,568 | \$ 4,199,573 |
| Highways and streets | 7,285,763 | 6,218,222 | 1,515,388 | 1,457,540 |
| Public safety | 8,140,046 | 7,084,519 | 6,708,298 | 5,627,361 |
| General government | 7,552,585 | 7,170,489 | 5,818,324 | 5,595,447 |
| Health | 4,269,136 | 4,022,221 | (204,939) | (873,626) |
| All others | 3,130,416 | 2,623,988 | 2,483,716 | 2,017,619 |
| Total Program Expenses | \$ 38,581,389 | \$ 35,703,308 | \$ 20,704,355 | \$ 18,023,914 |



Business-Type Activities

Revenues of Douglas County’s business-type activities (see Table 2) for the year ended December 31, 2009, were \$76,671,694; expenses were \$71,337,137, resulting in an increase in net assets of \$5,334,557. The primary components of this increase were increased revenues due to increased usage in oncology, emergency room and surgical. The hospitalist program produced an increase in higher acuity inpatients.

The County’s Funds

As Douglas County completed the year, its governmental funds, as presented in the balance sheet, reported a combined fund balance of \$29,038,110, which is above last year’s total of \$24,641,819. Included in this year’s total fund balance is a surplus of \$10,073,990 in the County’s General Fund. The majority of this amount, \$5,391,325, will be used to cash flow the first few months of 2010 until the current year tax collections begin. The General Fund’s fund balance increased by \$200,202. The Capital Projects Fund’s fund balance increased \$5,105,644 as a result of the 2009 sale of General Obligation Jail Bonds to construct a new jail facility which will be completed in late 2010.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Douglas County Board of Commissioners, over the course of a budget year, may amend/revise the County’s General Fund budget; in 2009, the County Board of Commissioners made minor budgetary amendments/revisions. The minor changes made to the budget as originally adopted on December 23, 2008, by the County Board of Commissioners fall into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In the County's General Fund, the actual revenues were above the expected revenues by \$451,472, mostly due to receiving more shared revenue than anticipated and more fees for services rendered. Total actual expenditures in the County's General Fund exceeded the budgeted expenditures by \$122,453.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, Douglas County had \$123,942,868 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase (including additions and deductions) of \$28,650,684, or 30.1 percent, over last year. The increase in capital assets was mostly due to the construction of a new Public Works facility, a new jail facility, an addition to the Douglas County Hospital, and continued infrastructure construction.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Totals | |
|-------------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Land | \$ 3,994,994 | \$ 3,393,707 | \$ 56,930 | \$ 56,930 | \$ 4,051,924 | \$ 3,450,637 |
| Construction in progress | 9,492,353 | 5,322,647 | 22,142,057 | 4,114,470 | 31,634,410 | 9,437,117 |
| Buildings | 17,321,263 | 13,331,953 | 9,893,103 | 10,947,041 | 27,214,366 | 24,278,994 |
| Land and building improvements | 1,468,007 | 907,179 | 272,975 | 313,943 | 1,740,982 | 1,221,122 |
| Machinery, furniture, and equipment | 3,624,432 | 3,410,128 | 5,879,197 | 6,079,997 | 9,503,629 | 9,490,125 |
| Infrastructure | 49,797,557 | 47,414,189 | - | - | 49,797,557 | 47,414,189 |
| Totals | \$ 85,698,606 | \$ 73,779,803 | \$ 38,244,262 | \$ 21,512,381 | \$ 123,942,868 | \$ 95,292,184 |

This year's major additions include continued infrastructure construction on various highways (both completed and construction in progress), the construction of the new Public Works facility, the construction of a new jail which will be complete in late 2010, and the construction in progress of a new 80,000-square foot building adjacent to the Douglas County Hospital with an expected completion date during the last half of 2010.

The new Public Works facility is being funded by the sale of Public Project HRA Lease Revenue Bonds. The new jail is being funded by the sale of General Obligation Jail Bonds. The Douglas County Hospital project is being funded by the sale of Gross Revenue Healthcare Facilities Bonds.

The County's Capital Projects Fund has \$6,405,930 of available fund balance to be used to finance future capital expenditures. Planned projects for 2010 include road reconstruction and the completion of the above projects. More detailed information about Douglas County's capital assets can be found in Note 3.A.3. to the Douglas County financial statements.

Debt

As of December 31, 2009, Douglas County had \$56,453,672 in long-term obligations, compared with \$45,381,940 as of December 31, 2008--an increase of 24.4 percent--as shown in Table 5.

**Table 5
Outstanding Debt at Year-End**

| Bonds Payable | Governmental Activities | | Business-Type Activities | | Primary Government | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| General Obligation Bonds | \$ 23,580,000 | \$ 12,220,000 | \$ - | \$ - | \$ 23,580,000 | \$ 12,220,000 |
| HRA Lease Revenue Bonds | 6,800,000 | 6,800,000 | - | - | 6,800,000 | 6,800,000 |
| Gross Revenue Healthcare Facilities Bonds | - | - | 25,670,000 | 26,210,000 | 25,670,000 | 26,210,000 |
| Loans | 159,903 | 151,940 | - | - | 159,903 | 151,940 |
| Lease Purchases | 243,769 | - | - | - | 243,769 | - |
| Totals | <u>\$ 30,783,672</u> | <u>\$ 19,171,940</u> | <u>\$ 25,670,000</u> | <u>\$ 26,210,000</u> | <u>\$ 56,453,672</u> | <u>\$ 45,381,940</u> |

New debt resulted from the sale of General Obligation Jail Bonds in the amount of \$12,920,000, the lease purchase of a Caterpillar generator for the new jail in the amount of \$243,769 and a Sewer Clean Water Partnership with the State of Minnesota Pollution Control Agency in the amount of \$40,019.

Douglas County's rating from Standard and Poor's is a "AA." The state limits the amount of net debt that a county can issue to three percent of the market value of all taxable property in the county. The County's outstanding net debt is significantly below this \$98,386,844 state-imposed limit.

Other obligations include compensated absences. Douglas County's notes to the financial statements provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for the business-type activities.

- The County has and will continue to experience numerous program and funding changes as a result of state and federal mandates and decreased funding levels. The County is also faced with the challenge of levy limits and the State of Minnesota unallotments.
- Douglas County's net tax capacity rates have not seen significant change, even though the overall net tax levy has continued to increase. This is due in great part to Douglas County's strong tax base. It has a strong seasonal, residential, commercial/industrial, and agricultural base. Keeping this tax base vital and healthy is very important to the County's overall financial health and condition.

- Douglas County's average unemployment rate for 2009 and 2008 is 6.84 percent and 4.99 percent, respectively. The average unemployment rate for the first four months of 2010 is 7.33 percent. If the unemployment rate should continue to rise, there could be an impact on the level of services requested by Douglas County residents. This information was taken from the Minnesota Department of Employment and Economic Development website for Douglas County unemployment statistics.
- The 2010 net property tax levies are planned to increase 6.3 percent from 2009.
- Other factors the County took into consideration include:
 - planning for facility needs and the jail expansion project;
 - land development and regulation issues; and
 - a greater demand for services, which has resulted from the growth that Douglas County has been experiencing.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Douglas County programs and services will influence the development of future budgets.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Douglas County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of Douglas County's finances and shows the County's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact Tom Reddick, Douglas County Auditor/Treasurer (320-762-3077), or Char Rosenow, Assistant Auditor/Treasurer (320-762-2924), Douglas County Courthouse, 305 - 8th Avenue West, Alexandria, Minnesota 56308.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

| | Primary Government | | | Discretely Presented Component Units |
|---|----------------------------|-----------------------------|-----------------------|---|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Current assets | | | | |
| Cash and pooled investments | \$ 24,942,857 | \$ 3,411,410 | \$ 28,354,267 | \$ 4,758,551 |
| Petty cash and change funds | 6,430 | 485 | 6,915 | 300 |
| Departmental cash | - | 40,000 | 40,000 | - |
| Cash with fiscal agent | 294,361 | - | 294,361 | - |
| Investments | 6,257,243 | 13,115,098 | 19,372,341 | 1,762,530 |
| Taxes receivable | | | | |
| Current - net | 512,893 | - | 512,893 | - |
| Prior - net | 186,863 | - | 186,863 | - |
| Special assessments receivable | | | | |
| Current - net | 3,412 | - | 3,412 | 64,115 |
| Prior - net | 394 | - | 394 | 21,665 |
| Noncurrent - net | 479,323 | - | 479,323 | - |
| Accounts receivable - net | 150,045 | 10,807,720 | 10,957,765 | 436,557 |
| Accrued interest receivable | 160,483 | 12,007 | 172,490 | 19,767 |
| Internal balances | (7,019) | 7,019 | - | - |
| Due from other governments | 2,346,966 | - | 2,346,966 | 30,501 |
| Loans receivable | - | - | - | 28,652 |
| Inventories | 84,210 | 1,610,802 | 1,695,012 | - |
| Prepaid items | 70,640 | 452,189 | 522,829 | 250 |
| Restricted cash and cash equivalents under indenture agreement | - | 2,103,378 | 2,103,378 | - |
| Restricted assets | | | | |
| Cash and pooled investments | - | - | - | 1,969,934 |
| Investments | - | - | - | 17,083,679 |
| Accrued interest receivable | - | - | - | 111,021 |
| Noncurrent assets | | | | |
| Advance to other governments | 58,340 | - | 58,340 | - |
| Advance to other agencies | 12,000 | - | 12,000 | - |
| Deferred charges | 253,195 | 703,390 | 956,585 | 68,879 |
| Loans receivable - long-term | - | - | - | 153,066 |
| Funds designated for capital improvements | - | 14,903,868 | 14,903,868 | - |
| Other assets | - | 824,643 | 824,643 | - |
| Restricted cash and cash equivalents under indenture agreement | - | 8,639,988 | 8,639,988 | - |
| Capital assets | | | | |
| Non-depreciable | 13,487,347 | 22,198,987 | 35,686,334 | 2,181,608 |
| Depreciable - net of accumulated depreciation | 72,211,259 | 16,045,275 | 88,256,534 | 14,087,459 |
| Total Assets | \$ 121,511,242 | \$ 94,876,259 | \$ 216,387,501 | \$ 42,778,534 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

| | Primary Government | | | Discretely Presented Component Units |
|--|------------------------------------|-------------------------------------|----------------------|---|
| | Governmental Activities | Business-Type Activities | Total | |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 670,272 | \$ 4,907,064 | \$ 5,577,336 | \$ 195,702 |
| Salaries payable | 1,008,072 | 2,783,607 | 3,791,679 | 100,357 |
| Accrued payroll taxes | - | - | - | 7,757 |
| Contracts payable | 1,299,173 | - | 1,299,173 | 62,174 |
| Due to other governments | 461,682 | - | 461,682 | 8,894 |
| Accrued interest payable | 582,333 | - | 582,333 | 93,694 |
| Deposits held for others | - | - | - | 232 |
| Unearned revenue | 208,002 | - | 208,002 | - |
| Deposits held for Prime West benefits | 45,000 | - | 45,000 | - |
| Compensated absences payable - current | 1,273,215 | - | 1,273,215 | 87,194 |
| Bonds payable - current | 1,500,000 | - | 1,500,000 | 1,085,000 |
| Revenue bonds payable - current | 155,000 | - | 155,000 | - |
| Gross revenue healthcare facilities bonds payable - current | - | 360,000 | 360,000 | - |
| Capital leases payable - current | 22,780 | - | 22,780 | - |
| Notes payable - current | - | - | - | 23,647 |
| Loans payable - current | 13,645 | - | 13,645 | - |
| Deferred credits | - | - | - | 307,405 |
| Noncurrent liabilities | | | | |
| Compensated absences payable | 1,984,864 | 3,332,592 | 5,317,456 | 204,667 |
| Landfill closure costs - long-term | - | - | - | 466,418 |
| Net pension obligation | 395,624 | 137,023 | 532,647 | 46,287 |
| Bonds payable | 22,149,320 | - | 22,149,320 | 20,003,337 |
| Revenue bonds payable | 6,645,000 | - | 6,645,000 | - |
| Gross revenue healthcare facilities bonds payable - long-term | - | 25,310,000 | 25,310,000 | - |
| Notes payable | - | - | - | 466,318 |
| Capital leases payable | 220,989 | - | 220,989 | - |
| Loans payable | 146,258 | - | 146,258 | - |
| Total Liabilities | \$ 38,781,229 | \$ 36,830,286 | \$ 75,611,515 | \$ 23,159,083 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

| | Primary Government | | | Discretely Presented Component Units |
|---|------------------------------------|-------------------------------------|------------------------------|---|
| | Governmental Activities | Business-Type Activities | Total | |
| <u>Net Assets</u> | | | | |
| Invested in capital assets - net of related debt | \$ 71,264,968 | \$ 21,917,640 | \$ 93,182,608 | \$ 12,897,246 |
| Restricted for | | | | |
| General government | 876,889 | - | 876,889 | - |
| Public safety | 432,846 | - | 432,846 | - |
| Highways and streets | 570,640 | - | 570,640 | - |
| Culture and recreation | 377,761 | - | 377,761 | - |
| Conservation of natural resources | 53,878 | - | 53,878 | - |
| Postclosure | - | - | - | 887,837 |
| Housing and redevelopment | - | - | - | 698,003 |
| Cancer services | - | 621,784 | 621,784 | - |
| Capital acquisitions | - | 154,178 | 154,178 | - |
| Debt service | 294,361 | 1,882,250 | 2,176,611 | - |
| Unrestricted | 8,858,670 | 33,470,121 | 42,328,791 | 5,136,365 |
| Total Net Assets | <u>\$ 82,730,013</u> | <u>\$ 58,045,973</u> | <u>\$ 140,775,986</u> | <u>\$ 19,619,451</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Expenses | Fees, Charges, Fines, and Other | Program Revenues Operating Grants and Contributions |
|-------------------------------------|-----------------------|--|--|
| <u>Functions/Programs</u> | | | |
| Primary government | | | |
| Governmental activities | | | |
| General government | \$ 7,552,585 | \$ 1,576,759 | \$ 157,502 |
| Public safety | 8,140,046 | 667,943 | 763,805 |
| Highways and streets | 7,285,763 | 747,395 | 4,209,081 |
| Human services | 8,203,443 | 502,890 | 3,316,985 |
| Health | 4,269,136 | 2,677,113 | 1,796,962 |
| Culture and recreation | 1,353,346 | 69,149 | 348,861 |
| Conservation of natural resources | 599,896 | 105,716 | 122,729 |
| Economic development | 48,045 | - | - |
| Interest | 1,129,129 | 245 | - |
| | \$ 38,581,389 | \$ 6,347,210 | \$ 10,715,925 |
| Business-type activities | | | |
| Hospital | 71,337,137 | 75,874,882 | 345,677 |
| | \$ 109,918,526 | \$ 82,222,092 | \$ 11,061,602 |
| Component Units | | | |
| Pope/Douglas Solid Waste Management | \$ 5,486,176 | \$ 4,223,911 | \$ 155,516 |
| Housing and Redevelopment Authority | 2,145,344 | 404,667 | 1,361,846 |
| | \$ 7,631,520 | \$ 4,628,578 | \$ 1,517,362 |

General Revenues

Property taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

| Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets | | | Discretely Presented Component Units |
|--|---|-----------------------------|------------------------|--|
| | Primary Government | | | |
| | Governmental Activities | Business-Type Activities | Total | |
| \$ - | \$ (5,818,324) | \$ - | \$ (5,818,324) | |
| - | (6,708,298) | - | (6,708,298) | |
| 813,899 | (1,515,388) | - | (1,515,388) | |
| - | (4,383,568) | - | (4,383,568) | |
| - | 204,939 | - | 204,939 | |
| - | (935,336) | - | (935,336) | |
| - | (371,451) | - | (371,451) | |
| - | (48,045) | - | (48,045) | |
| - | (1,128,884) | - | (1,128,884) | |
| \$ 813,899 | \$ (20,704,355) | \$ - | \$ (20,704,355) | |
| 45,606 | - | 4,929,028 | 4,929,028 | |
| \$ 859,505 | \$ (20,704,355) | \$ 4,929,028 | \$ (15,775,327) | |
| \$ - | | | | \$ (1,106,749) |
| - | | | | (378,831) |
| \$ - | | | | \$ (1,485,580) |
| | \$ 20,762,509 | \$ - | \$ 20,762,509 | \$ 504,295 |
| | 45,471 | - | 45,471 | - |
| | 278,413 | - | 278,413 | - |
| | 2,432,856 | - | 2,432,856 | 3,871 |
| | 280,165 | 405,529 | 685,694 | 57,517 |
| | 355,004 | - | 355,004 | - |
| | 9,560 | - | 9,560 | - |
| | \$ 24,163,978 | \$ 405,529 | \$ 24,569,507 | \$ 565,683 |
| | \$ 3,459,623 | \$ 5,334,557 | \$ 8,794,180 | \$ (919,897) |
| | 79,270,390 | 52,711,416 | 131,981,806 | 20,539,348 |
| | \$ 82,730,013 | \$ 58,045,973 | \$ 140,775,986 | \$ 19,619,451 |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

| | General | Public Works |
|---|----------------------|---------------------|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 10,166,445 | \$ 2,011,749 |
| Undistributed cash in agency funds | 219,006 | 59,398 |
| Petty cash and change funds | 3,670 | 2,050 |
| Cash with fiscal agent | - | - |
| Investments | - | 37,648 |
| Taxes receivable | | |
| Current | 246,933 | 86,282 |
| Delinquent | 79,744 | 36,792 |
| Special assessments receivable | | |
| Current | 960 | 232 |
| Delinquent | 20 | 233 |
| Noncurrent | 128,366 | - |
| Accounts receivable | 73,181 | 8,436 |
| Accrued interest receivable | 159,386 | - |
| Due from other funds | 15,500 | 39,753 |
| Due from other governments | 358,772 | 885,017 |
| Inventories | - | 84,210 |
| Prepaid items | 61,610 | 2,255 |
| Advances to other funds | 160,600 | - |
| Advances to other governments | - | 58,340 |
| Advances to other agencies | 12,000 | - |
| | \$ 11,686,193 | \$ 3,312,395 |
| <u>Liabilities and Fund Balances</u> | | |
| Liabilities | | |
| Accounts payable | \$ 178,219 | \$ 58,451 |
| Salaries payable | 477,299 | 161,037 |
| Contracts payable | - | 215,580 |
| Due to other funds | 27,586 | 12,495 |
| Due to other governments | 141,287 | 19,573 |
| Deferred revenue - unavailable | 649,739 | 418,327 |
| Deferred revenue - unearned | 93,073 | - |
| Deposits held for Prime West | 45,000 | - |
| Advance from other funds | - | - |
| | \$ 1,612,203 | \$ 885,463 |

EXHIBIT 3

| <u>Human Services</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|-----------------------------|---|---|
| \$ 2,737,979 | \$ 1,642,186 | \$ 7,047,261 | \$ 23,605,620 |
| 63,857 | 28 | 58,619 | 400,908 |
| 400 | - | 310 | 6,430 |
| - | - | 294,361 | 294,361 |
| - | 5,991,569 | 228,026 | 6,257,243 |
| 95,936 | - | 83,742 | 512,893 |
| 36,040 | 1 | 34,286 | 186,863 |
| - | - | 2,220 | 3,412 |
| - | - | 141 | 394 |
| - | - | 350,957 | 479,323 |
| 18,650 | - | 49,778 | 150,045 |
| - | - | 1,097 | 160,483 |
| 2,367 | - | 13,789 | 71,409 |
| 567,192 | 210,996 | 324,989 | 2,346,966 |
| - | - | - | 84,210 |
| 3,914 | - | 2,861 | 70,640 |
| - | - | - | 160,600 |
| - | - | - | 58,340 |
| - | - | - | 12,000 |
| \$ 3,526,335 | \$ 7,844,780 | \$ 8,492,437 | \$ 34,862,140 |
| | | | |
| \$ 225,978 | \$ 136,000 | \$ 71,624 | \$ 670,272 |
| 196,232 | - | 173,504 | 1,008,072 |
| - | 1,083,593 | - | 1,299,173 |
| 12,908 | 8,260 | 17,179 | 78,428 |
| 285,236 | - | 15,586 | 461,682 |
| 151,767 | 210,997 | 461,971 | 1,892,801 |
| - | - | 114,929 | 208,002 |
| - | - | - | 45,000 |
| - | - | 160,600 | 160,600 |
| \$ 872,121 | \$ 1,438,850 | \$ 1,015,393 | \$ 5,824,030 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

| <u>Liabilities and Fund Balances</u> (Continued) | General | Public Works |
|---|----------------------|---------------------|
| Fund Balances | | |
| Reserved for | | |
| Land records technology | \$ 389,988 | \$ - |
| State-aid highway projects | - | 303,362 |
| Law library | 95,489 | - |
| Recorder's equipment | 360,138 | - |
| Inventories | - | 84,210 |
| Park dedication fee | 219,489 | - |
| Feedlots | 18,466 | - |
| Environmental mitigation | 5,390 | - |
| Advances to other funds | 160,600 | - |
| Encumbrances | - | - |
| Boat and water safety | 500 | - |
| Debt service | - | - |
| Sheriff's contingency | 5,000 | - |
| Gun permits | 64,562 | - |
| E-911 | 329,917 | - |
| Attorney's forfeited property | 31,274 | - |
| Sheriff's honor guard | 3,209 | - |
| DARE | 4,020 | - |
| Sheriff's forfeited property | 6,593 | - |
| Random drug test | 17,083 | - |
| Juvenile work program | 1,962 | - |
| Library fund drive | - | - |
| Unreserved | | |
| Designated for | | |
| Subsequent years' expenditures | - | 37,648 |
| Cash flows | 5,391,325 | 2,001,712 |
| Capital improvements | 251,423 | - |
| Chippewa River sewer loans | 30,022 | - |
| Retiree medical insurance | 9,400 | - |
| Sheriff's canteen | 5,892 | - |
| Extension | 2,897 | - |
| Section 125 | 12,000 | - |
| OPEB obligation | 2,657,351 | - |
| Undesignated | - | - |
| Unreserved, reported in nonmajor | | |
| Special revenue funds | - | - |
| Debt service funds | - | - |
| Total Fund Balances | \$ 10,073,990 | \$ 2,426,932 |
| Total Liabilities and Fund Balances | \$ 11,686,193 | \$ 3,312,395 |

EXHIBIT 3
(Continued)

| <u>Human Services</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|-----------------------------|---|---|
| \$ - | \$ - | \$ - | \$ 389,988 |
| - | - | - | 303,362 |
| - | - | - | 95,489 |
| - | - | - | 360,138 |
| - | - | - | 84,210 |
| - | - | - | 219,489 |
| - | - | - | 18,466 |
| - | - | - | 5,390 |
| - | - | - | 160,600 |
| - | 4,856,660 | - | 4,856,660 |
| - | - | - | 500 |
| - | - | 294,361 | 294,361 |
| - | - | - | 5,000 |
| - | - | - | 64,562 |
| - | - | - | 329,917 |
| - | - | - | 31,274 |
| - | - | - | 3,209 |
| - | - | - | 4,020 |
| - | - | - | 6,593 |
| - | - | - | 17,083 |
| - | - | - | 1,962 |
| - | - | 158,272 | 158,272 |
| - | - | - | 37,648 |
| 2,654,214 | - | - | 10,047,251 |
| - | - | - | 251,423 |
| - | - | - | 30,022 |
| - | - | - | 9,400 |
| - | - | - | 5,892 |
| - | - | - | 2,897 |
| - | - | - | 12,000 |
| - | - | - | 2,657,351 |
| - | 1,549,270 | - | 1,549,270 |
| - | - | 3,818,623 | 3,818,623 |
| - | - | 3,205,788 | 3,205,788 |
| <u>\$ 2,654,214</u> | <u>\$ 6,405,930</u> | <u>\$ 7,477,044</u> | <u>\$ 29,038,110</u> |
| <u>\$ 3,526,335</u> | <u>\$ 7,844,780</u> | <u>\$ 8,492,437</u> | <u>\$ 34,862,140</u> |

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

| | | |
|---|-----------------|----------------------|
| Fund balance - total governmental funds (Exhibit 3) | | \$ 29,038,110 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | 85,698,606 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. | | 1,892,801 |
| The County uses an Internal Service Fund to charge the cost of self-insurance to other funds. The adjustment is the net assets of the Internal Service Fund that relate to governmental activities. | | 936,329 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| General obligation bonds and unamortized premium | \$ (23,649,320) | |
| Revenue bonds payable | (6,800,000) | |
| Capital leases payable | (243,769) | |
| Loans | (159,903) | |
| Compensated absences | (3,258,079) | |
| Accrued interest payable | (582,333) | |
| Net pension obligation | (395,624) | |
| Deferred debt issuance charges | 253,195 | (34,835,833) |
| | | |
| Net Assets of Governmental Activities (Exhibit 1) | | \$ 82,730,013 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | General | Public Works |
|---|----------------------|-------------------------|
| Revenues | | |
| Taxes | \$ 10,003,034 | \$ 3,443,626 |
| Special assessments | 24,865 | 1,451 |
| Licenses and permits | 177,408 | - |
| Intergovernmental | 2,540,253 | 6,298,968 |
| Charges for services | 1,779,747 | 396,917 |
| Fines and forfeits | 107,150 | - |
| Gifts and contributions | 7,080 | 42,000 |
| Investment earnings | 164,739 | 8,290 |
| Miscellaneous | 467,382 | 377,583 |
| | \$ 15,271,658 | \$ 10,568,835 |
| Expenditures | | |
| Current | | |
| General government | \$ 6,364,752 | \$ 486,801 |
| Public safety | 7,679,624 | - |
| Highways and streets | - | 12,252,095 |
| Human services | - | - |
| Health | - | - |
| Culture and recreation | 100,020 | 643,527 |
| Conservation of natural resources | 485,186 | 18,016 |
| Economic development | 48,045 | - |
| Intergovernmental | - | 285,921 |
| Capital outlay | - | - |
| Debt service | | |
| Principal | 32,055 | - |
| Interest | 232,957 | - |
| Bond issuance costs | - | - |
| Administrative charges | - | - |
| | \$ 14,942,639 | \$ 13,686,360 |
| Excess of Revenues Over (Under) Expenditures | \$ 329,019 | \$ (3,117,525) |

EXHIBIT 5

| <u>Human Services</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|-----------------------------|---|---|
| \$ 3,824,111 | \$ 28 | \$ 3,341,209 | \$ 20,612,008 |
| - | - | 139,279 | 165,595 |
| 13,825 | - | 190,880 | 382,113 |
| 4,074,075 | - | 1,803,504 | 14,716,800 |
| 467,071 | - | 2,361,802 | 5,005,537 |
| - | - | 34,960 | 142,110 |
| 150 | - | 97,178 | 146,408 |
| - | 15,786 | 7,144 | 195,959 |
| 23,955 | - | 148,700 | 1,017,620 |
| \$ 8,403,187 | \$ 15,814 | \$ 8,124,656 | \$ 42,384,150 |
| \$ - | \$ 156 | \$ - | \$ 6,851,709 |
| - | - | - | 7,679,624 |
| - | - | - | 12,252,095 |
| 8,129,175 | - | - | 8,129,175 |
| - | - | 4,199,439 | 4,199,439 |
| - | - | 968,865 | 1,712,412 |
| - | - | 91,049 | 594,251 |
| - | - | - | 48,045 |
| - | - | - | 285,921 |
| - | 7,107,049 | - | 7,107,049 |
| - | - | 1,560,000 | 1,592,055 |
| - | - | 446,064 | 679,021 |
| - | 52,930 | - | 52,930 |
| - | - | 2,961 | 2,961 |
| \$ 8,129,175 | \$ 7,160,135 | \$ 7,268,378 | \$ 51,186,687 |
| \$ 274,012 | \$ (7,144,321) | \$ 856,278 | \$ (8,802,537) |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | General | Public Works |
|--|----------------------|-------------------------|
| Other Financing Sources (Uses) | | |
| Transfers in | \$ 245 | \$ 1,126,819 |
| Transfers out | (412,849) | (245) |
| Proceeds from capital lease | 243,769 | - |
| Premium on bonds | - | - |
| Loans issued | 40,018 | - |
| Bonds issued | - | - |
| | \$ (128,817) | \$ 1,126,574 |
| Net Change in Fund Balance | \$ 200,202 | \$ (1,990,951) |
| Fund Balance - January 1 | 9,873,788 | 4,466,532 |
| Increase (decrease) in reserved for inventories | - | (48,649) |
| | \$ 10,073,990 | \$ 2,426,932 |
| Fund Balance - December 31 | \$ 10,073,990 | \$ 2,426,932 |

EXHIBIT 5
(Continued)

| <u>Human Services</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|-----------------------------|---|---|
| \$ - | \$ - | \$ - | \$ 1,127,064 |
| - | (713,725) | (245) | (1,127,064) |
| - | - | - | 243,769 |
| - | 43,690 | - | 43,690 |
| - | - | - | 40,018 |
| - | 12,920,000 | - | 12,920,000 |
| <u>\$ -</u> | <u>\$ 12,249,965</u> | <u>\$ (245)</u> | <u>\$ 13,247,477</u> |
| \$ 274,012 | \$ 5,105,644 | \$ 856,033 | \$ 4,444,940 |
| 2,380,202 | 1,300,286 | 6,621,011 | 24,641,819 |
| - | - | - | (48,649) |
| <u>\$ 2,654,214</u> | <u>\$ 6,405,930</u> | <u>\$ 7,477,044</u> | <u>\$ 29,038,110</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 4,444,940

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

| | | |
|--------------------------------|--------------------|-----------|
| Deferred revenue - December 31 | \$ 1,892,801 | |
| Deferred revenue - January 1 | <u>(2,001,972)</u> | (109,171) |

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

| | | |
|--|--------------------|------------|
| Expenditures for general capital assets and infrastructure | \$ 16,050,565 | |
| Net book value of assets sold | (1,080,208) | |
| Current year depreciation | <u>(3,051,554)</u> | 11,918,803 |

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

| | | |
|---------------------------------|-----------------|--------------|
| Proceeds of new debt | | |
| General obligation bonds issued | \$ (12,920,000) | |
| Capital leases | (243,769) | |
| Loans | <u>(40,018)</u> | (13,203,787) |

| | | |
|--------------------------|---------------|-----------|
| Principal payments | | |
| General obligation bonds | \$ 1,560,000 | |
| Loans | <u>32,055</u> | 1,592,055 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|--|-----------------|-----------------------------------|
| Change in accrued interest payable on general long-term debt | \$ (453,845) | |
| Change in deferred charges | 52,930 | |
| Amortization of deferred debt issuance costs | (19,764) | |
| Change in bond premiums | (43,690) | |
| Amortization of bond premiums | 6,698 | |
| Change in compensated absences | (208,856) | |
| Change in pension benefit obligation | (227,595) | |
| Change in inventories | <u>(48,649)</u> | (942,771) |
| Net revenue of the Internal Service Fund is reported with governmental activities. | | <u>(240,446)</u> |
| Change in Net Assets of Governmental Activities (Exhibit 2) | | <u><u>\$ 3,459,623</u></u> |

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PROPRIETARY FUNDS

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009**

| | Business-Type Activities | Governmental Activities |
|--|---|------------------------------------|
| | Hospital Operating Enterprise Fund | Internal Service Fund |
| <u>Assets</u> | | |
| Current assets | | |
| Cash and pooled investments | \$ 3,332,262 | \$ 1,015,477 |
| Petty cash and change funds | 485 | - |
| Departmental cash | 40,000 | - |
| Investments | 11,226,034 | 1,889,064 |
| Accounts receivable - net | 10,807,720 | - |
| Accrued interest receivable | - | 12,007 |
| Due from other funds | - | 7,019 |
| Inventories | 1,610,802 | - |
| Prepaid items | 452,189 | - |
| Restricted cash and cash equivalents under indenture agreement | 2,103,378 | - |
| Total current assets | \$ 29,572,870 | \$ 2,923,567 |
| Noncurrent assets | | |
| Deferred charges | \$ 703,390 | \$ - |
| Funds designated for capital improvements | 14,903,868 | - |
| Other assets | 824,643 | - |
| Restricted cash and cash equivalents under indenture agreement | 8,639,988 | - |
| Capital assets | | |
| Nondepreciable | 22,198,987 | - |
| Depreciable - net | 16,045,275 | - |
| Total noncurrent assets | \$ 63,316,151 | \$ - |
| Total Assets | \$ 92,889,021 | \$ 2,923,567 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009**

| | Business-Type Activities | Governmental Activities |
|---|---|------------------------------------|
| | Hospital Operating Enterprise Fund | Internal Service Fund |
| <u>Liabilities</u> | | |
| Current liabilities | | |
| Accounts payable | \$ 4,382,760 | \$ 524,304 |
| Salaries payable | 2,783,607 | - |
| Gross revenue healthcare facilities bonds payable - current | 360,000 | - |
| Total current liabilities | \$ 7,526,367 | \$ 524,304 |
| Noncurrent liabilities | | |
| Compensated absences payable - long-term | \$ 3,332,592 | \$ - |
| Net pension obligation | 137,023 | - |
| Gross revenue healthcare facilities bonds payable - long-term | 25,310,000 | - |
| Total noncurrent liabilities | \$ 28,779,615 | \$ - |
| Total Liabilities | \$ 36,305,982 | \$ 524,304 |
| <u>Net Assets</u> | | |
| Invested in capital assets - net of related debt | \$ 21,917,640 | \$ - |
| Restricted for | | |
| Debt service | 1,882,250 | - |
| Cancer services | 621,784 | - |
| Capital acquisitions | 154,178 | - |
| Unrestricted | 32,007,187 | 2,399,263 |
| Total Net Assets | \$ 56,583,039 | \$ 2,399,263 |
| Adjustment to reflect the consolidation of the Internal Service Fund activities related to the Hospital Operating Enterprise Fund | 1,462,934 | |
| Net Assets - Business-Type Activities | \$ 58,045,973 | |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Business-Type Activities | Governmental Activities |
|---|---|------------------------------------|
| | Hospital Operating Enterprise Fund | Internal Service Fund |
| Operating Revenues | | |
| Patient services revenues | \$ 74,212,161 | \$ - |
| Premiums | - | 7,897,130 |
| Miscellaneous | 1,662,721 | - |
| Total Operating Revenues | \$ 75,874,882 | \$ 7,897,130 |
| Operating Expenses | | |
| Employee benefits and payroll taxes | \$ 7,503,630 | \$ - |
| Professional services | 3,146,893 | - |
| Contracted services | 7,395,654 | - |
| Claims paid | - | 7,623,340 |
| Administration and fiscal services | - | 818,196 |
| Supplies | 19,263,382 | - |
| Payroll | 26,083,106 | - |
| Utilities | 873,018 | - |
| Insurance | 213,004 | - |
| Rent | 616,846 | - |
| Repairs and maintenance | 828,376 | - |
| MinnesotaCare tax and surcharge | 1,410,221 | - |
| Miscellaneous | 917,754 | - |
| Depreciation | 2,773,770 | - |
| Total Operating Expenses | \$ 71,025,654 | \$ 8,441,536 |
| Operating Income (Loss) | \$ 4,849,228 | \$ (544,406) |
| Nonoperating Revenues (Expenses) | | |
| Interest income | \$ 394,574 | \$ 20,239 |
| Gifts and contributions | 345,677 | - |
| Other expense | (16,807) | - |
| Total Nonoperating Revenues (Expenses) | \$ 723,444 | \$ 20,239 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

*EXHIBIT 8
(Continued)*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Business-Type Activities | Governmental Activities |
|--|---|------------------------------------|
| | Hospital Operating Enterprise Fund | Internal Service Fund |
| Income (Loss) Before Contributions and Transfers | \$ 5,572,672 | \$ (524,167) |
| Capital contributions | 45,606 | - |
| Change in net assets | \$ 5,618,278 | \$ (524,167) |
| Net Assets - January 1 | 50,964,761 | 2,923,430 |
| Net Assets - December 31 | \$ 56,583,039 | \$ 2,399,263 |
| Change in Net Assets of the Enterprise Fund | | |
| Hospital Operating Enterprise Fund | \$ 5,618,278 | |
| Internal Service Fund activities related to the Hospital Operating Enterprise Fund | (283,721) | |
| Change in Net Assets of Business-Type Activities | \$ 5,334,557 | |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
Increase (Decrease) in Cash and Cash Equivalents**

| | Business-Type Activities | Governmental Activities |
|--|---|------------------------------------|
| | Hospital Operating Enterprise Fund | Internal Service Fund |
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 74,102,546 | \$ - |
| Receipts from internal services provided | - | 7,910,865 |
| Payments to suppliers | (34,269,114) | (8,278,193) |
| Payments to employees | (33,642,788) | - |
| Other receipts and payments | 1,662,722 | - |
| Net cash provided by (used in) operating activities | \$ 7,853,366 | \$ (367,328) |
| Cash Flows from Noncapital Financing Activities | | |
| Intergovernmental receipts | \$ 328,870 | \$ - |
| Cash Flows from Capital and Related Financing Activities | | |
| Capital contributions | \$ 45,606 | \$ - |
| Principal paid on long-term debt | (540,000) | - |
| Purchases of other assets | (311,264) | - |
| Purchases of capital assets | (17,869,658) | - |
| Net cash provided by (used in) capital and related financing activities | \$ (18,675,316) | \$ - |
| Cash Flows from Investing Activities | | |
| Investment earnings received | \$ 350,716 | \$ 26,830 |
| Change in investments | 10,295,989 | (81,182) |
| Net cash provided by (used in) investing activities | \$ 10,646,705 | \$ (54,352) |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 153,625 | \$ (421,680) |
| Cash and Cash Equivalents at January 1 | 5,620,717 | 1,437,157 |
| Cash and Cash Equivalents at December 31 | \$ 5,774,342 | \$ 1,015,477 |
| Cash and Cash Equivalents - Exhibit 7 | | |
| Cash and pooled investments | \$ 3,332,262 | \$ 1,015,477 |
| Petty cash and change funds | 485 | - |
| Departmental cash | 40,000 | - |
| Funds designated for capital improvements | 2,401,595 | - |
| Total Cash and Cash Equivalents | \$ 5,774,342 | \$ 1,015,477 |

The notes to the financial statements are an integral part of this statement.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
Increase (Decrease) in Cash and Cash Equivalents**

| | Business-Type Activities | Governmental Activities |
|--|---|------------------------------------|
| | Hospital Operating Enterprise Fund | Internal Service Fund |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | |
| Operating income (loss) | \$ 4,849,228 | \$ (544,406) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | |
| Depreciation expense | \$ 2,773,770 | \$ - |
| Debt forgiven on physician loans | 229,797 | - |
| (Increase) decrease in accounts receivable | (493,668) | - |
| (Increase) decrease in due from other funds | - | 13,735 |
| (Increase) decrease in inventories | (203,598) | - |
| (Increase) decrease in prepaid items | 116,232 | - |
| Increase (decrease) in accounts payable | 637,656 | 163,684 |
| Increase (decrease) in salaries payable | (173,439) | - |
| Increase (decrease) in net pension obligation | 49,464 | - |
| Increase (decrease) in compensated absences payable | 67,924 | - |
| Increase (decrease) in due to other funds | - | (341) |
| Total adjustments | \$ 3,004,138 | \$ 177,078 |
| Net Cash Provided by (Used in) Operating Activities | \$ 7,853,366 | \$ (367,328) |
| Supplemental Disclosure of Cash Flow Information | | |
| Construction in progress expenditures included in accounts payable | \$ 1,635,993 | \$ - |

FIDUCIARY FUNDS

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

| | <u>Agency</u> |
|-----------------------------|----------------------------|
| <u>Assets</u> | |
| Cash and pooled investments | \$ 1,240,621 |
| Receivables | |
| Accounts | <u>16,822</u> |
| Total Assets | <u>\$ 1,257,443</u> |
| <u>Liabilities</u> | |
| Accounts payable | \$ 43,443 |
| Due to other governments | <u>1,214,000</u> |
| Total Liabilities | <u>\$ 1,257,443</u> |

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DISCRETELY PRESENTED COMPONENT UNITS

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 11

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2009**

| | <u>Pope/Douglas Solid Waste Management</u> | <u>Housing and Redevelopment Authority</u> | <u>Total</u> |
|--------------------------------|--|--|----------------------|
| <u>Assets</u> | | | |
| Current assets | | | |
| Cash and pooled investments | \$ 4,198,751 | \$ 559,800 | \$ 4,758,551 |
| Petty cash and change funds | 300 | - | 300 |
| Investments | 1,762,530 | - | 1,762,530 |
| Special assessments receivable | | | |
| Current | 64,115 | - | 64,115 |
| Prior | 21,665 | - | 21,665 |
| Accounts receivable - net | 425,189 | 11,368 | 436,557 |
| Accrued interest receivable | 19,767 | - | 19,767 |
| Due from other governments | 22,968 | 7,533 | 30,501 |
| Loan receivable | - | 28,652 | 28,652 |
| Prepaid items | 250 | - | 250 |
| Total current assets | \$ 6,515,535 | \$ 607,353 | \$ 7,122,888 |
| Restricted assets | | | |
| Cash and pooled investments | \$ 1,953,638 | \$ 16,296 | \$ 1,969,934 |
| Investments | 16,680,748 | 402,931 | 17,083,679 |
| Accrued interest receivable | 111,021 | - | 111,021 |
| Total restricted assets | \$ 18,745,407 | \$ 419,227 | \$ 19,164,634 |
| Noncurrent assets | | | |
| Deferred charges | \$ 68,879 | \$ - | \$ 68,879 |
| Loans receivable - long-term | - | 153,066 | 153,066 |
| Capital assets | | | |
| Nondepreciable | 1,901,473 | 280,135 | 2,181,608 |
| Depreciable - net | 10,957,405 | 3,130,054 | 14,087,459 |
| Total noncurrent assets | \$ 12,927,757 | \$ 3,563,255 | \$ 16,491,012 |
| Total Assets | \$ 38,188,699 | \$ 4,589,835 | \$ 42,778,534 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 11
(Continued)**

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2009**

| | Pope/Douglas Solid Waste Management | Housing and Redevelopment Authority | Total |
|--|--|--|----------------------|
| <u>Liabilities</u> | | | |
| Current liabilities | | | |
| Accounts payable | \$ 159,076 | \$ 36,626 | \$ 195,702 |
| Salaries payable | 100,357 | - | 100,357 |
| Accrued payroll taxes | - | 7,757 | 7,757 |
| Contracts payable | 62,174 | - | 62,174 |
| Due to other governments | 6,022 | 2,872 | 8,894 |
| Accrued interest payable | 43,778 | 49,916 | 93,694 |
| Deposits held for others | - | 232 | 232 |
| Compensated absences payable - current | 78,006 | 9,188 | 87,194 |
| Bonds payable - current | 1,035,000 | 50,000 | 1,085,000 |
| Notes payable - current | - | 23,647 | 23,647 |
| Deferred credits | - | 307,405 | 307,405 |
| Total current liabilities | \$ 1,484,413 | \$ 487,643 | \$ 1,972,056 |
| Noncurrent liabilities | | | |
| Compensated absences payable - long-term | \$ 204,667 | \$ - | \$ 204,667 |
| Landfill closure costs - long-term | 466,418 | - | 466,418 |
| Net pension obligation | 46,287 | - | 46,287 |
| Bonds payable - long-term | 18,078,337 | 1,925,000 | 20,003,337 |
| Notes payable - long-term | - | 466,318 | 466,318 |
| Total noncurrent liabilities | \$ 18,795,709 | \$ 2,391,318 | \$ 21,187,027 |
| Total Liabilities | \$ 20,280,122 | \$ 2,878,961 | \$ 23,159,083 |
| <u>Net Assets</u> | | | |
| Invested in capital assets - net of related debt | \$ 11,136,693 | \$ 1,760,553 | \$ 12,897,246 |
| Restricted for | | | |
| Postclosure | 887,837 | - | 887,837 |
| Housing and redevelopment | - | 698,003 | 698,003 |
| Unrestricted | 5,884,047 | (747,682) | 5,136,365 |
| Total Net Assets | \$ 17,908,577 | \$ 1,710,874 | \$ 19,619,451 |

The notes to the financial statements are an integral part of this statement.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Expenses | Program Fees, Charges, Fines, and Other |
|-------------------------------------|---------------------|--|
| Component Units | | |
| Pope/Douglas Solid Waste Management | \$ 5,486,176 | \$ 4,223,911 |
| Housing and Redevelopment Authority | 2,145,344 | 404,667 |
| Total Component Units | \$ 7,631,520 | \$ 4,628,578 |

General Revenues

Property taxes
Grants and contributions not restricted to
specific programs
Investment income

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 12

| <u>Revenues</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> | | |
|---|--|--|------------------------------|
| <u>Operating Grants and Contributions</u> | <u>Pope/Douglas Solid Waste Management</u> | <u>Housing and Redevelopment Authority</u> | <u>Total</u> |
| \$ 155,516 | \$ (1,106,749) | \$ - | \$ (1,106,749) |
| <u>1,361,846</u> | <u>-</u> | <u>(378,831)</u> | <u>(378,831)</u> |
| <u>\$ 1,517,362</u> | <u>\$ (1,106,749)</u> | <u>\$ (378,831)</u> | <u>\$ (1,485,580)</u> |
| | \$ - | \$ 504,295 | \$ 504,295 |
| | 3,871 | - | 3,871 |
| | <u>55,619</u> | <u>1,898</u> | <u>57,517</u> |
| | <u>\$ 59,490</u> | <u>\$ 506,193</u> | <u>\$ 565,683</u> |
| | \$ (1,047,259) | \$ 127,362 | \$ (919,897) |
| | <u>18,955,836</u> | <u>1,583,512</u> | <u>20,539,348</u> |
| | <u>\$ 17,908,577</u> | <u>\$ 1,710,874</u> | <u>\$ 19,619,451</u> |

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Douglas County was established March 8, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Douglas County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Units

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Douglas County has one blended component unit.

| <u>Component Unit</u> | <u>Component Unit Included in Reporting Entity Because</u> | <u>Separate Financial Statements</u> |
|---|---|--|
| Douglas County Hospital provides medical and surgical care on an inpatient and outpatient basis to the County area. | County Commissioners make up five of the nine members of the Douglas County Hospital Board. | Douglas County Hospital 111 - 17th Avenue East Alexandria, Minnesota 56308 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Douglas County are discretely presented:

| <u>Component Unit</u> | <u>Component Unit Included in Reporting Entity Because</u> | <u>Separate Financial Statements</u> |
|--|---|--|
| Housing and Redevelopment Authority (HRA) of Douglas County provides services pursuant to Minn. Stat. §§ 469.001-469.047. | The County appoints members, and the HRA is a financial burden. | Douglas County HRA 1224 North Nokomis Alexandria, Minnesota 56308 |
| Pope/Douglas Solid Waste Management (PDSW) provides for the management and disposal of solid waste in Pope and Douglas Counties pursuant to Minn. Stat. chs. 115A and 400. | The County appoints a majority of PDSW members and must approve any debt. | Pope/Douglas Solid Waste Management 2115 South Jefferson Alexandria, Minnesota 56308 |

Joint Ventures

The County participates in several joint ventures described in Note 7.C. The County also participates in a jointly-governed organization described in Note 7.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Public Works Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.
- The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

The County reports the following major enterprise fund:

- The Hospital Operating Fund is used to account for providing hospital and emergency care to the sick, injured, and newborn of the Douglas County Hospital, a blended component unit of Douglas County. Financing is provided primarily by user service charges.

Additionally, the County reports the following fund types:

- The Internal Service Fund accounts for self-insurance activities provided to other departments and funds on a cost-reimbursement basis.
- Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Douglas County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$164,739.

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables, including those of the discretely presented component units, are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the primary government, as well as the blended component unit, are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------------------|--------------|
| Buildings | 5 - 40 |
| Land and building improvements | 3 - 30 |
| Public domain infrastructure | 20 - 75 |
| Furniture, equipment, and vehicles | 3 - 20 |

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance of \$108,559 as of December 31, 2009. The Ditch Special Revenue Fund's deficit will be eliminated with future special assessment levies against benefited properties.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the General Fund by \$122,453. These expenditures in excess of budget were funded by greater than anticipated revenues.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

| | |
|--|-----------------------|
| Government-wide statement of net assets | |
| Governmental activities | |
| Cash and pooled investments | \$ 24,942,857 |
| Petty cash and change funds | 6,430 |
| Cash with fiscal agent | 294,361 |
| Investments | 6,257,243 |
| Business-type activities | |
| Cash and pooled investments | 3,411,410 |
| Petty cash and change funds | 485 |
| Departmental cash | 40,000 |
| Investments | 13,115,098 |
| Funds designated for capital improvements | 14,903,868 |
| Restricted cash and cash equivalents under indenture agreement | 10,743,366 |
| Component units | |
| Cash and pooled investments | 4,758,551 |
| Petty cash and change funds | 300 |
| Investments | 1,762,530 |
| Restricted assets | |
| Cash and pooled investments | 1,969,934 |
| Investments | 17,083,679 |
| Statement of fiduciary net assets | |
| Cash and pooled investments | <u>1,240,621</u> |
| Total Cash and Investments | <u>\$ 100,530,733</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect County deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bonds for all uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2009, the County's deposits were not exposed to custodial credit risk.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy is to minimize custodial credit risk by permitting brokers that obtain investments for Douglas County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2009, \$58,258,583 of U.S. government securities, \$2,749,273 of negotiable certificates of deposit and \$17,773,375 of money market accounts were exposed to custodial credit risk because they were held by the counterparty.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit.

The following table presents the County's deposit and investment balances at December 31, 2009, and information relating to potential investment risks:

| Investment Type | Credit Risk | | Concentration Risk | Interest Rate Risk | Carrying (Fair) Value |
|--|---------------|---------------|-----------------------------|--------------------|-----------------------|
| | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date | |
| U.S. government agency securities | | | | | |
| Federal Home Loan Bank - Pooled | Aaa | Moody's | | 07/25/2018 | \$ 514,845 |
| Federal Home Loan Bank - Pooled | Aaa | Moody's | | 09/10/2014 | 1,102,946 |
| Federal Home Loan Bank - Pooled | Aaa | Moody's | | 01/04/2018 | 167,888 |
| Federal Home Loan Bank - Pooled | Aaa | Moody's | | 10/26/2016 | 110,034 |
| Federal Home Loan Bank - Pooled | Aaa | Moody's | | 12/08/2017 | 198,812 |
| Federal Home Loan Bank - Pooled | Aaa | Moody's | | 12/23/2019 | 300,000 |
| Federal Home Loan Bank - PDSW Construction | Aaa | Moody's | | 10/14/2010 | 603,186 |
| Federal Home Loan Bank - PDSW Construction | Aaa | Moody's | | 03/10/2011 | 257,110 |
| Federal Home Loan Bank - PDSW Construction | Aaa | Moody's | | 02/15/2011 | 169,050 |
| Federal Home Loan Bank - PDSW Construction | Aaa | Moody's | | 08/17/2010 | 153,750 |
| Federal Home Loan Bank - PDSW Construction | Aaa | Moody's | | 11/15/2010 | 394,455 |
| Federal Home Loan Bank - PDSW Construction | Aaa | Moody's | | 12/10/2010 | 140,189 |
| Federal Home Loan Bank - PDSW Construction | Aaa | Moody's | | 09/10/2010 | 919,201 |
| Federal Home Loan Bank - PDSW Assurance | Aaa | Moody's | | 02/16/2022 | 501,250 |
| Federal Home Loan Bank - Hospital | Aaa | Moody's | | 06/11/2010 | 3,587,873 |
| Federal Home Loan Bank - Hospital | Aaa | Moody's | | 06/17/2013 | 1,047,271 |
| Federal Home Loan Bank - Hospital | Aaa | Moody's | | 07/25/2018 | 1,439,582 |
| Federal Home Loan Bank - Hospital | Aaa | Moody's | | 07/25/2018 | 308,907 |
| Federal Home Loan Bank - Hospital | Aaa | Moody's | | 07/23/2014 | 528,198 |
| Federal Home Loan Bank - Hospital | Aaa | Moody's | | 02/18/2010 | 3,013,903 |
| Total Federal Home Loan Bank | | | 17.7% | | \$ 15,458,450 |
| Federal Farm Credit Bank - Pooled | Aaa | Moody's | | 04/01/2016 | \$ 740,625 |
| Federal Farm Credit Bank - PDSW | Aaa | Moody's | | 03/07/2011 | 233,543 |
| Federal Farm Credit Bank - Hospital | Aaa | Moody's | | 07/19/2017 | 1,471,246 |
| Total Federal Farm Credit Bank | | | <5% | | \$ 2,445,414 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| Investment Type | Credit Risk | | Concentration Risk | Interest Rate Risk | Carrying (Fair) Value |
|---|---------------|---------------|-----------------------------|--------------------|-----------------------|
| | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date | |
| Federal National Mortgage Association - Pooled | Aaa | Moody's | | 05/14/2018 | \$ 606,750 |
| Federal National Mortgage Association - Pooled | Aaa | Moody's | | 07/30/2014 | 2,010,000 |
| Federal National Mortgage Association - Pooled | Aaa | Moody's | | 09/30/2019 | 588,936 |
| Federal National Mortgage Association - Pooled | Aaa | Moody's | | 01/25/2023 | 1,002,500 |
| Federal National Mortgage Association - Pooled | Aaa | Moody's | | 12/10/2021 | 981,131 |
| Federal National Mortgage Association - Pooled | Aaa | Moody's | | 05/21/2014 | 326,320 |
| Federal National Mortgage Association - Pooled | Aaa | Moody's | | 12/16/2016 | 199,174 |
| Federal National Mortgage Association - PDSW | Aaa | Moody's | | 02/01/2017 | 803,000 |
| Federal National Mortgage Association - PDSW Construction | Aaa | Moody's | | 11/15/2010 | 673,798 |
| Federal National Mortgage Association - PDSW Construction | Aaa | Moody's | | 03/05/2010 | 301,407 |
| Federal National Mortgage Association - PDSW Construction | Aaa | Moody's | | 02/01/2011 | 177,703 |
| Federal National Mortgage Association - PDSW Assurance | Aaa | Moody's | | 02/01/2017 | 652,438 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 05/14/2018 | 2,035,556 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 05/17/2022 | 1,130,971 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 05/17/2022 | 709,427 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 04/05/2010 | 511,525 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 11/28/2016 | 977,602 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 10/28/2014 | 400,436 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 09/30/2019 | 493,346 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 02/27/2023 | 503,377 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 04/17/2018 | 174,779 |
| Federal National Mortgage Association - Hospital | Aaa | Moody's | | 02/20/2018 | 226,646 |
| Total Federal National Mortgage Association | | | 17.7% | | \$ 15,486,822 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 03/03/2014 | \$ 1,503,660 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 10/15/2019 | 976,430 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 09/15/2022 | 978,820 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 05/12/2020 | 501,310 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 05/12/2020 | 875,287 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 11/15/2014 | 983,660 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 12/15/2019 | 955,470 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 12/15/2017 | 972,990 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 04/08/2014 | 195,371 |
| Federal Home Loan Mortgage Corporation - Pooled | Aaa | Moody's | | 04/28/2014 | 100,292 |
| Federal Home Loan Mortgage Corporation - PDSW | Aaa | Moody's | | 01/18/2011 | 265,917 |
| Federal Home Loan Mortgage Corporation - PDSW | Aaa | Moody's | | 12/08/2010 | 293,966 |
| Federal Home Loan Mortgage Corporation - PDSW | Aaa | Moody's | | 07/12/2010 | 1,071,000 |
| Federal Home Loan Mortgage Corporation - PDSW | Aaa | Moody's | | 08/18/2010 | 754,350 |
| Federal Home Loan Mortgage Corporation - PDSW | Aaa | Moody's | | 10/18/2010 | 658,003 |
| Federal Home Loan Mortgage Corporation - PDSW | Aaa | Moody's | | 10/10/2010 | 495,018 |
| Federal Home Loan Mortgage Corporation - Self-Insurance | Aaa | Moody's | | 11/15/2014 | 885,294 |
| Federal Home Loan Mortgage Corporation - Self-Insurance | Aaa | Moody's | | 02/18/2014 | 1,003,770 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 04/15/2015 | 496,789 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 02/18/2014 | 1,015,777 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 05/12/2020 | 261,476 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 05/12/2020 | 1,253,275 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 10/15/2019 | 983,411 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 11/15/2014 | 985,076 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 03/03/2014 | 1,013,093 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 12/15/2017 | 1,430,052 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 12/15/2019 | 1,459,268 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 12/15/2017 | 1,460,641 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| Investment Type | Credit Risk | | Concentration Risk | Interest Rate Risk | Carrying (Fair) Value |
|---|---------------|---------------|-----------------------------|--------------------|-----------------------|
| | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date | |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 03/22/2022 | 1,054,365 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 02/18/2014 | 1,015,777 |
| Federal Home Loan Mortgage Corporation - Hospital | Aaa | Moody's | | 05/12/2020 | 100,983 |
| Total Federal Home Loan Mortgage Corporation | | | 29.7% | | \$ 26,000,591 |
| Mutual funds | | | | | |
| UBS Select Hospital - Pooled | Aaa | Moody's | | N/A | \$ 139,891 |
| UBS Select Hospital Bond Reserve - Pooled | Aaa | Moody's | | N/A | 148,734 |
| UBS Select Hospital Construction - Pooled | Aaa | Moody's | | N/A | 2,588,015 |
| Wells Fargo Hospital - Pooled | AAA | S&P | | N/A | 9,785 |
| UBS Select PDSW - Pooled | Aaa | Moody's | | N/A | 1,326,024 |
| UBS - Cash Fund PDSW Construction - PDSW | N/R | N/A | | N/A | (2,748) |
| UBS Select PDSW Construction - Pooled | Aaa | Moody's | | N/A | 7,414,103 |
| UBS Select PDSW Assurance - PDSW | Aaa | Moody's | | N/A | 174,150 |
| UBS Select Self-Insurance - Pooled | Aaa | Moody's | | N/A | 52,435 |
| UBS Select Capital Improvements - Pooled | Aaa | Moody's | | N/A | 200 |
| UBS Select Capital Improvements - Jail Construction | Aaa | Moody's | | N/A | 5,991,569 |
| UBS Select Public Health Nurse - Pooled | Aaa | Moody's | | N/A | 5,751 |
| UBS - Cash Fund - Pooled | N/R | N/A | | N/A | (212) |
| UBS Select - Pooled | Aaa | Moody's | | N/A | 54,063 |
| MAGIC - Pooled | N/R | N/A | | N/A | 2,520,624 |
| Wells Fargo Advisors - Pooled | Aaa | Moody's | | N/A | 98,264 |
| Total mutual funds | | | 23.5% | | \$ 20,520,648 |
| Negotiable certificates of deposit | | | | | |
| BMW Bank of North America Utah - Pooled | N/R | N/A | | 03/31/2011 | \$ 97,072 |
| GMAC Bank Utah - Pooled | N/R | N/A | | 01/15/2010 | 96,065 |
| GE Capital Financial Utah - Pooled | N/R | N/A | | 03/25/2011 | 97,136 |
| American Express Bank Salt Lake City, Utah - Pooled | N/R | N/A | | 03/25/2011 | 97,084 |
| American Express Bank Centurion, Utah - Pooled | N/R | N/A | | 03/25/2011 | 97,084 |
| Lehman Brothers Commercial Bank Utah - Pooled | N/R | N/A | | 02/08/2010 | 96,369 |
| Discover Bank Delaware - Pooled | N/R | N/A | | 08/30/2010 | 98,039 |
| Midfirst Bank Oklahoma - Pooled | N/R | N/A | | 05/13/2011 | 97,874 |
| Morgan Stanley Utah - Pooled | N/R | N/A | | 10/08/2010 | 98,251 |
| Goldman Sachs Bank USA Utah - Pooled | N/R | N/A | | 11/19/2010 | 98,485 |
| GE Money Bank Utah - Pooled | N/R | N/A | | 07/11/2011 | 145,600 |
| Cathay Bank California - Pooled | N/R | N/A | | 07/06/2012 | 138,529 |
| Midwest Bank & Trust Illinois - PDSW | N/R | N/A | | 10/22/2010 | 239,772 |
| Paragon Commercial Bank North Carolina - PDSW | N/R | N/A | | 09/20/2010 | 239,669 |
| Doral Bank Puerto Rico - PDSW | N/R | N/A | | 09/27/2010 | 240,089 |
| Ally Bank Utah - PDSW | N/R | N/A | | 09/24/2010 | 240,000 |
| Texas Capital Bank Texas - PDSW Construction | N/R | N/A | | 02/01/2010 | 239,957 |
| American Express Bank Utah - PDSW Construction | N/R | N/A | | 02/05/2010 | 139,952 |
| Amcore Bank Illinois - Hospital | N/R | N/A | | 02/22/2010 | 55,288 |
| Discover Bank Delaware - Hospital | N/R | N/A | | 02/22/2010 | 95,498 |
| Wachovia Mortgage Nevada - Hospital | N/R | N/A | | 02/22/2010 | 95,498 |
| First Regional Bank California - Hospital | N/R | N/A | | 12/27/2010 | 98,031 |
| Keybank National Association Ohio - Hospital | N/R | N/A | | 12/27/2010 | 97,848 |
| Sallie Mae Bank Utah - Hospital | N/R | N/A | | 12/10/2013 | 101,072 |
| GE Money Bank Utah - Hospital | N/R | N/A | | 12/11/2013 | 101,061 |
| Total negotiable certificates of deposit | | | N/A | | \$ 3,241,323 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| Investment Type | Credit Risk | | Concentration Risk | Interest Rate Risk | Carrying (Fair) Value |
|---|---------------|---------------|-----------------------------|--------------------|-----------------------|
| | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date | |
| Repurchase agreements Bremer - Hospital | N/R | N/A | <5% | | \$ 4,051,679 |
| Cash with fiscal agent | | | | | \$ 294,361 |
| Total investments | | | | | \$ 87,499,288 |
| Deposits Departmental cash, petty cash, and change funds | | | | | 12,005,203 47,215 |
| Total cash and investments under control of County Auditor/Treasurer | | | | | \$ 99,551,706 |
| Housing and Redevelopment Authority cash and investments (Note 9.B.) | | | | | 979,027 |
| Total Cash and Investments | | | | | \$ 100,530,733 |

N/A - Not applicable

N/R - Not rated

<5% - Concentration is less than 5% of investments

As of December 31, 2009, the Pope/Douglas Solid Waste Management discretely presented component unit had \$3,538,254 (17.9 percent) in Federal Home Loan Mortgage Corporation securities, \$2,608,346 (13.2 percent) in Federal National Mortgage Association securities, \$3,138,191 (15.9 percent) in Federal Home Loan Bank securities, and \$8,911,529 (45.1 percent) in UBS Mutual Funds, all of which exceeded 5.0 percent. The Hospital Operating Enterprise Fund had \$12,529,983 (32.4 percent) in Federal Home Loan Mortgage Corporation securities, \$7,163,665 (18.5 percent) in Federal National Mortgage Association securities, \$9,925,734 (25.7 percent) in Federal Home Loan Bank securities, and \$2,886,425 (7.5 percent) in UBS and Wells Fargo Mutual Funds, all of which exceeded 5.0 percent. The Self-Insurance Internal Service Fund had \$1,889,064 (97.3 percent) in Federal Home Loan Mortgage Corporation securities, which exceeded 5.0 percent.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, for the County, including any applicable allowances for uncollectible accounts, are as follows:

| | Total Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|--------------------------------|----------------------|--|
| Governmental Activities | | |
| Taxes | \$ 699,756 | \$ - |
| Special assessments | 483,129 | 314,778 |
| Accounts | 150,045 | - |
| Interest | 160,483 | - |
| Due from other governments | 2,346,966 | - |
| Advances to other governments | 58,340 | - |
| Total Governmental Activities | \$ 3,898,719 | \$ 314,778 |
| Business-Type Activities | | |
| Accounts | \$ 10,807,720 | \$ - |
| Interest | 12,007 | - |
| Total Business-Type Activities | \$ 10,819,727 | \$ - |

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

Governmental Activities

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--------------------------------------|----------------------|---------------|--------------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 3,393,707 | \$ 601,287 | \$ - | \$ 3,994,994 |
| Construction in progress | 5,322,647 | 8,535,581 | 4,365,875 | 9,492,353 |
| Total capital assets not depreciated | \$ 8,716,354 | \$ 9,136,868 | \$ 4,365,875 | \$ 13,487,347 |
| Capital assets depreciated | | | | |
| Land and building improvements | \$ 1,086,911 | \$ 623,940 | \$ 8,485 | \$ 1,702,366 |
| Buildings | 21,190,805 | 5,630,127 | 1,818,957 | 25,001,975 |
| Machinery, furniture, and equipment | 8,040,506 | 893,632 | 187,534 | 8,746,604 |
| Infrastructure | 71,019,066 | 4,131,873 | - | 75,150,939 |
| Total capital assets depreciated | \$ 101,337,288 | \$ 11,279,572 | \$ 2,014,976 | \$ 110,601,884 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|----------------------|---------------------|----------------------|
| Less: accumulated depreciation for | | | | |
| Land and building improvements | \$ 179,732 | \$ 55,528 | \$ 901 | \$ 234,359 |
| Buildings | 7,858,852 | 595,343 | 773,483 | 7,680,712 |
| Machinery, furniture, and equipment | 4,630,378 | 652,178 | 160,384 | 5,122,172 |
| Infrastructure | 23,604,877 | 1,748,505 | - | 25,353,382 |
| Total accumulated depreciation | \$ 36,273,839 | \$ 3,051,554 | \$ 934,768 | \$ 38,390,625 |
| Total capital assets depreciated, net | \$ 65,063,449 | \$ 8,228,018 | \$ 1,080,208 | \$ 72,211,259 |
| Governmental Activities Capital Assets, Net | <u>\$ 73,779,803</u> | <u>\$ 17,364,886</u> | <u>\$ 5,446,083</u> | <u>\$ 85,698,606</u> |

Business-Type Activities

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---|----------------------|----------------------|------------------|----------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 56,930 | \$ - | \$ - | \$ 56,930 |
| Construction in progress | 4,114,470 | 18,027,587 | - | 22,142,057 |
| Total capital assets not depreciated | \$ 4,171,400 | \$ 18,027,587 | \$ - | \$ 22,198,987 |
| Capital assets depreciated | | | | |
| Land and building improvements | \$ 1,153,707 | \$ - | \$ - | \$ 1,153,707 |
| Buildings | 29,098,041 | - | - | 29,098,041 |
| Machinery, furniture, and equipment | 18,872,576 | 1,508,708 | 2,180,232 | 18,201,052 |
| Total capital assets depreciated | \$ 49,124,324 | \$ 1,508,708 | \$ 2,180,232 | \$ 48,452,800 |
| Less: accumulated depreciation for | | | | |
| Land and building improvements | \$ 839,764 | \$ 40,968 | \$ - | \$ 880,732 |
| Buildings | 18,151,000 | 1,053,938 | - | 19,204,938 |
| Machinery, furniture, and equipment | 12,792,579 | 1,678,864 | 2,149,588 | 12,321,855 |
| Total accumulated depreciation | \$ 31,783,343 | \$ 2,773,770 | \$ 2,149,588 | \$ 32,407,525 |
| Total capital assets depreciated, net | \$ 17,340,981 | \$ (1,265,062) | \$ 30,644 | \$ 16,045,275 |
| Business-Type Activities Capital Assets, Net | <u>\$ 21,512,381</u> | <u>\$ 16,762,525</u> | <u>\$ 30,644</u> | <u>\$ 38,244,262</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | | |
|---|----|------------------|
| Governmental Activities | | |
| General government | \$ | 490,634 |
| Public safety | | 242,194 |
| Highways and streets, including depreciation of infrastructure assets | | 2,163,487 |
| Human services | | 9,760 |
| Health | | 9,985 |
| Culture and recreation | | <u>135,494</u> |
| Total Depreciation Expense - Governmental Activities | \$ | <u>3,051,554</u> |
| | | |
| Business-Type Activities | | |
| Hospital operation | \$ | <u>2,773,770</u> |

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

| Receivable Fund | Payable Fund | Amount |
|--------------------------------|--------------------|------------------|
| General | Human Services | \$ 11,974 |
| | Other governmental | <u>3,526</u> |
| Total due to General Fund | | \$ <u>15,500</u> |
| | | |
| Public Works | General | \$ 19,677 |
| | Human Services | 934 |
| | Capital Projects | 8,260 |
| | Other governmental | <u>10,882</u> |
| Total due to Public Works Fund | | \$ <u>39,753</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

| Receivable Fund | Payable Fund | Amount |
|---------------------------------------|--------------------|-----------|
| Human Services | General | \$ 33 |
| | Other governmental | 2,334 |
| Total due to Human Services Fund | | \$ 2,367 |
| Other governmental | General | \$ 857 |
| | Public Works | 12,495 |
| | Other governmental | 437 |
| Total due to other governmental funds | | \$ 13,789 |
| Internal Service | General | \$ 7,019 |
| Total Due To/From Other Funds | | \$ 78,428 |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

2. Advances From/To Other Funds

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|------------|
| General | Ditch | \$ 160,600 |

The purpose of the advance from the General Fund to the Ditch Special Revenue fund is to provide cash flow for various drainage systems. The advance will be repaid in future years through the use of special assessments levied on the benefited parcels.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

| | | | |
|---|--------|---------------|------------------------------------|
| Transfers to General Fund from Public Works Fund | \$ | 245 | Reimburse bond fees |
| Transfers to Public Works Fund from General Fund | \$ | 412,849 | Provide funding for capital outlay |
| Capital Projects Fund | | 713,725 | Provide funding for capital outlay |
| Other governmental funds | | 245 | Reimburse bond fees |
| Total transfers to Public Works Fund | \$ | 1,126,819 | |
| Total Interfund Transfers | \$ | 1,127,064 | |

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2009. The projects include the following:

| | Spent-to-Date | Remaining Commitment |
|------------------------------------|------------------|-------------------------|
| Governmental Activities | | |
| Jail | \$ 7,657,625 | \$ 4,856,657 |
| Roads and bridges | 1,203,939 | 366,070 |
| Total Construction Commitments | \$ 8,861,564 | \$ 5,222,727 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Vacation and Sick Leave

Governmental Activities

Under the County's personnel policies and union contracts, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 10 to 25 days per year. Sick leave accrual is 12 days per year.

Business-Type Activities

The Hospital sponsors an employee benefit program whereby employees retiring in good standing from the Hospital under the State of Minnesota Public Employees Retirement Association of Minnesota (PERA) retirement plan after 30 calendar years of employment will receive their unused sick and vacation leave by placing it into the Health Care Savings Plan, which is administered by the Minnesota State Retirement System. As of December 31, 2009, the Hospital had an estimated current sick leave benefit payable of \$95,790 and a long-term benefit payable of \$3,332,592. The statement of revenues, expenses, and changes in fund net assets include expenses of \$47,812 related to this benefit for the year ended December 31, 2009.

3. Other Postemployment Benefits

Persons who retire with at least 25 years of service to Douglas County will have the option of leaving all of their regular and banked sick leave in a reserve fund to pay for continued health insurance coverage with the County, if eligible, or to pay the Medicare portion or the supplemental portion of their own and dependent insurance coverage.

The County's contribution from the General Fund for the year ended December 31, 2009, for two participants was \$2,987.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Leases

Operating Leases

The Hospital leases certain equipment under noncancelable long-term lease agreements. All leases have been recorded as operating leases. Total lease expense for the year ended December 31, 2009, for all operating leases was \$343,377. Minimum future lease payments for all operating leases are as follows:

| Year Ending December 31 | Amount |
|------------------------------|------------|
| 2010 | \$ 112,812 |
| 2011 | 112,812 |
| 2012 | 112,812 |
| Total Minimum Lease Payments | \$ 338,436 |

Capital Leases

The County has entered into a lease agreement with Caterpillar Financial Services Corporation as lessee for financing the acquisition of a generator for the new jail. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Details about the capital lease at December 31, 2009, follow:

| Lease | Maturity | Installment | Payment Amount | Original Issue | Balance |
|--|----------|-------------|-------------------|-------------------|------------|
| Governmental Activities 2009 jail generator | 2018 | Monthly | \$ 2,653 | \$ 243,769 | \$ 243,769 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Leases

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

| Year Ending December 31 | Amount |
|---|------------|
| 2010 | \$ 28,359 |
| 2011 | 34,031 |
| 2012 | 34,031 |
| 2013 | 34,031 |
| 2014 | 34,031 |
| 2015 - 2018 | 107,767 |
| Total minimum lease payments | \$ 272,250 |
| Less: amount representing interest | (28,481) |
| Present Value of Minimum Lease Payments | \$ 243,769 |

5. Long-Term Debt

Governmental Activities

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2009 |
|--|-------------------|--------------------------|-------------------------|-----------------------------|--|
| General obligation bonds | | | | | |
| 1998A G.O. Capital Improvement Bonds | 2011 | \$70,000 - \$120,000 | 3.90 - 4.65 | \$ 1,195,000 | \$ 230,000 |
| 1998B G.O. Capital Improvement Refunding Bonds | 2011 | \$105,000 - \$165,000 | 4.10 - 4.65 | 1,470,000 | 325,000 |
| 2002A G.O. Capital Improvement Bonds | 2021 | \$45,000 - \$95,000 | 3.00 - 5.00 | 1,250,000 | 900,000 |
| 2002C G.O. Solid Waste Disposal Bonds | 2021 | \$180,000 - \$225,000 | 3.00 - 5.00 | 3,075,000 | 2,080,000 |
| 2003A G.O. Road Construction Bonds | 2014 | \$340,000 - \$510,000 | 1.75 - 3.75 | 4,315,000 | 2,355,000 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt

Governmental Activities (Continued)

| <u>Type of Indebtedness</u> | <u>Final Maturity</u> | <u>Installment Amounts</u> | <u>Interest Rate (%)</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance December 31, 2009</u> |
|---|---------------------------|--------------------------------|----------------------------------|--------------------------------------|--|
| 2003C G.O. Refunding Bonds | 2011 | \$150,000 - \$280,000 | 1.15 - 3.40 | 1,845,000 | 305,000 |
| 2005A G.O. Road Construction Bonds | 2016 | \$230,000 - \$310,000 | 2.75 - 3.70 | 2,680,000 | 1,965,000 |
| 2005B G.O. Ditch Bonds | 2016 | \$65,000 - \$90,000 | 2.80 - 3.70 | 770,000 | 565,000 |
| 2007A G.O. Road Construction Bonds | 2018 | \$105,000 - \$500,000 | 3.30 - 3.80 | 2,040,000 | 1,935,000 |
| 2009A G.O. Jail Bonds | 2030 | \$465,000 - \$905,000 | 3.00 - 4.50 | 12,920,000 | 12,920,000 |
| Total | | | | <u>\$ 31,560,000</u> | <u>\$ 23,580,000</u> |
| Lease revenue bonds 2008A Public Project HRA | 2029 | \$155,000 - \$515,000 | 4.50 - 6.00 | <u>\$ 6,800,000</u> | <u>\$ 6,800,000</u> |

In 2007, the County approved the sale of General Obligation Temporary Bonds, Series 2007B, to finance engineering costs for future expansion at PDSW. In 2009, the County approved the sale of General Obligation Temporary Bonds, Series 2009B, to finance Phase II of a 120-ton-per-day plant expansion at PDSW. PDSW is responsible for making the payments. See Note 8.B.2.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

Loans Payable

Governmental Activities

In 2004, and again in 2008, the County entered into a loan agreement with the State of Minnesota Pollution Control Agency for implementation of a clean water partnership.

| <u>Loans Payable</u> | <u>Final Maturity</u> | <u>Installment Amounts</u> | <u>Interest Rate (%)</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance December 31, 2009</u> |
|------------------------|---------------------------|--------------------------------|----------------------------------|--------------------------------------|--|
| Sewer Clean Water Loan | | | | | |
| SRF0125 | 2018 | \$7,944 | 2.00 | \$ 143,354 | \$ 107,513 |
| SRF0184 | 2021 | \$2,903 | 2.00 | 55,115 | 52,390 |
| | | | | <u>\$ 198,469</u> | <u>\$ 159,903</u> |
| Total Loans Payable | | | | | |

Business-Type Activities

| <u>Type of Indebtedness</u> | <u>Final Maturity</u> | <u>Installment Amounts</u> | <u>Interest Rate (%)</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance December 31, 2009</u> |
|--|---------------------------|--------------------------------|----------------------------------|--------------------------------------|--|
| Gross Revenue Healthcare Facilities Bonds, Series 2008A | 2038 | \$540,000 - \$3,540,000 | 3.25 - 6.25 | <u>\$ 26,210,000</u> | <u>\$ 25,670,000</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Governmental Activities

| Year Ending December 31 | General Obligation Bonds | | Public Project Lease Revenue Bonds | |
|----------------------------|--------------------------|--------------|------------------------------------|--------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 1,500,000 | \$ 1,009,246 | \$ 155,000 | \$ 357,210 |
| 2011 | 2,020,000 | 815,098 | 235,000 | 348,435 |
| 2012 | 1,635,000 | 743,511 | 245,000 | 337,635 |
| 2013 | 1,690,000 | 686,986 | 255,000 | 326,385 |
| 2014 | 1,760,000 | 627,226 | 265,000 | 314,685 |
| 2015 - 2019 | 6,160,000 | 2,392,167 | 1,475,000 | 1,373,169 |
| 2020 - 2024 | 3,915,000 | 1,422,439 | 1,835,000 | 948,148 |
| 2025 - 2029 | 3,995,000 | 646,499 | 2,335,000 | 361,222 |
| 2030 | 905,000 | 20,363 | - | - |
| Total | \$ 23,580,000 | \$ 8,363,535 | \$ 6,800,000 | \$ 4,366,889 |

| Year Ending December 31 | Loans Payable | | Capital Leases Payable | |
|----------------------------|---------------|-----------|------------------------|-----------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 13,645 | \$ 2,243 | \$ 22,780 | \$ 5,580 |
| 2011 | 16,460 | 2,331 | 28,252 | 5,779 |
| 2012 | 19,194 | 2,500 | 29,050 | 4,981 |
| 2013 | 19,580 | 2,115 | 29,870 | 4,161 |
| 2014 | 19,973 | 1,721 | 30,714 | 3,317 |
| 2015 - 2019 | 62,513 | 3,369 | 103,103 | 4,663 |
| 2020 - 2021 | 8,538 | 171 | - | - |
| Total | \$ 159,903 | \$ 14,450 | \$ 243,769 | \$ 28,481 |

Business-Type Activities

| Year Ending December 31 | General Obligation | |
|----------------------------|--------------------|---------------|
| | Principal | Interest |
| 2010 | \$ 360,000 | \$ 1,518,008 |
| 2011 | 375,000 | 1,504,688 |
| 2012 | 390,000 | 1,489,125 |
| 2013 | 410,000 | 1,471,965 |
| 2014 | 425,000 | 1,453,105 |
| 2015 - 2019 | 2,460,000 | 6,934,788 |
| 2020 - 2024 | 3,220,000 | 6,184,095 |
| 2025 - 2029 | 4,290,000 | 5,102,850 |
| 2030 - 2034 | 5,785,000 | 3,614,375 |
| 2035 - 2038 | 7,955,000 | 1,447,813 |
| Total | \$ 25,670,000 | \$ 30,720,812 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

Governmental Activities

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|----------------------|---------------------|---------------------------|--------------------------------|
| Long-term liabilities | | | | | |
| Bonds payable | | | | | |
| G.O. bonds | \$ 12,220,000 | \$ 12,920,000 | \$ 1,560,000 | \$ 23,580,000 | \$ 1,500,000 |
| Add: unamortized premium | 32,328 | 43,690 | 6,698 | 69,320 | - |
| Total G.O. bonds and notes | \$ 12,252,328 | \$ 12,963,690 | \$ 1,566,698 | \$ 23,649,320 | \$ 1,500,000 |
| Lease revenue bonds | 6,800,000 | - | - | 6,800,000 | 155,000 |
| Loans payable | 151,940 | 40,019 | 32,056 | 159,903 | 13,645 |
| Capital leases payable | - | 243,769 | - | 243,769 | 22,780 |
| Compensated absences | 3,052,109 | 1,604,955 | 1,398,985 | 3,258,079 | 1,273,215 |
| Governmental Activities Long-Term Liabilities | <u>\$ 22,256,377</u> | <u>\$ 14,852,433</u> | <u>\$ 2,997,739</u> | <u>\$ 34,111,071</u> | <u>\$ 2,964,640</u> |

Business-Type Activities

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Long-term liabilities | | | | | |
| Bonds payable | | | | | |
| Gross Revenue Healthcare Facilities Bonds | \$ 26,210,000 | \$ - | \$ 540,000 | \$ 25,670,000 | \$ 360,000 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Douglas County are covered by defined benefit pension plans administered by PERA. PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2009:

| | |
|---------------------------------------|--------|
| Public Employees Retirement Fund | |
| Basic Plan members | 11.78% |
| Coordinated Plan members | 6.75 |
| Public Employees Police and Fire Fund | 14.10 |
| Public Employees Correctional Fund | 8.75 |

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---------------------------------------|-------------|-------------|-------------|
| Public Employees Retirement Fund | \$ 852,789 | \$ 784,167 | \$ 701,897 |
| Public Employees Police and Fire Fund | 244,457 | 206,758 | 170,140 |
| Public Employees Correctional Fund | 122,857 | 113,731 | 117,882 |

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

One physician and five elected officials of Douglas County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

4. Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

| | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount | \$ 8,592 | \$ 8,592 |
| Percentage of covered payroll | 5% | 5% |

Required contribution rates were 5.00 percent.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The County entered into a program to self-insure group hospitalization, medical, and major medical benefits for its employees pursuant to Minn. Stat. § 471.61. Currently, the County contracts with Blue Cross Blue Shield for employee and dependent group health coverage. The plan is primarily a conventional group health plan that is partially underwritten by the County and its employees.

Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$200,000 stop-loss per contract claim per year (\$11,893,492 aggregate) for the health plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

5. Risk Management (Continued)

Changes in the balances of claims liabilities during the past two years are as follows:

| | Year Ended December 31 | |
|---|------------------------|-------------|
| | 2009 | 2008 |
| Unpaid claims, beginning of fiscal year | \$ 360,620 | \$ 386,194 |
| Incurred claims (including IBNRs) | 7,787,025 | 6,707,831 |
| Claims payments | (7,623,341) | (6,733,405) |
| Unpaid Claims, End of Fiscal Year | \$ 524,304 | \$ 360,620 |

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$5,000,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

6. Net Charges for Services - Hospital Operating Enterprise Fund

Net charges for services in the Hospital Operating Enterprise Fund are for net patient service revenue. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services provided, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are provided and adjusted in future periods as final settlements are determined.

Gross patient revenue at established rates, less third-party payor contractual adjustments, consisted of the following as of December 31, 2009.

| | |
|---|----------------|
| Patient service revenue | \$ 140,154,086 |
| Allowances for contractual adjustments and provisions for bad debts | (65,941,925) |
| Net Patient Service Revenue | \$ 74,212,161 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

A. Charity Care

In furtherance of its charitable purpose, the Hospital provides a wide variety of benefits to the community. These services and donations account for a measurable portion of the Hospital's costs and serve to promote healthy life styles, community development, health education, and affordable access to care.

The Hospital maintains records to identify and monitor the level of community benefit services it provides. Those records include management's estimate of the cost to provide charity care, the cost of services and supplies furnished for community benefit programs, and costs in excess of program payments for treating Medical Assistance patients.

In addition to community benefit costs outlined below, the Hospital provides additional community contributions such as services to Medicare patients below the costs for treatment, other uncompensated care, discounted pricing to the uninsured, and payment of taxes and fees.

The following is a summary of charity care discounts and other community benefit activities incurred during the year ended December 31, 2009:

| | |
|--|---------------------|
| Charity care | \$ 447,014 |
| Cost in excess of Medicaid payments | 1,743,651 |
| Medicaid surcharge and MinnesotaCare tax | 1,410,221 |
| Community building and other community benefit costs | <u>716,026</u> |
| Total Cost of Community Benefits | <u>\$ 4,316,912</u> |
| | |
| Other community contributions | |
| Costs in excess of Medicare payments | \$ 3,282,732 |
| Other care provided without compensation (bad debts) | 1,171,000 |
| Discounts provided to uninsured patients | <u>526,827</u> |
| Total Value of Community Contributions | <u>\$ 4,980,559</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items (Continued)

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

C. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county. In 2009, the County paid \$5,147 to the West Central Area Agency on Aging as its share of the 2009 assessment. Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not act to discharge any liability incurred or chargeable to any county before the effective date of the withdrawal.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

West Central Area Agency on Aging (Continued)

Control is vested in the West Central Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

Complete financial information can be obtained from:

West Central Area Agency on Aging
P. O. Box 726
Fergus Falls, Minnesota 56537-0726

Rainbow Rider Transit Board

The West Central Multi-County Joint Powers Transit Board (Rainbow Rider) was established December 1, 1994, by a joint powers agreement among Douglas, Pope, Stevens, and Traverse Counties. Operations did not begin until 1995. Effective January 13, 2000, the Board changed its name from West Central Multi-County Joint Powers Transit Board to Rainbow Rider Transit Board. The agreement was established to provide a coordinated service delivery and funding source for public transportation for the mutual benefit of each of the joint participants. The joint powers agreement remains in force until any single county notifies the other parties of its intentions to withdraw, at least 90 days before the termination takes effect. The remaining counties may agree to continue the agreement with the remaining counties as members.

In 1996, the Public Transit Fund (Heartland Express) merged with Rainbow Rider. Title to three Heartland Express buses was transferred to Rainbow Rider as part of this transition. Douglas County received from Rainbow Rider a capital credit toward Douglas County's share of future capital purchases. This credit was for 20 percent of the present market value of the equipment transferred, which was the percentage that Douglas County originally contributed to purchase that equipment.

Control is vested in the Rainbow Rider Transit Board. The Board consists of two members from each county. Each member of the Board is appointed by the County Commissioners of the county he or she represents. Members of the Board serve an annual term and may be reappointed by their respective County Boards.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rainbow Rider Transit Board (Continued)

Complete financial information can be obtained from:

Rainbow Rider
P. O. Box 136
Lowry, Minnesota 56349

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, and Todd Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the six-county area.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. However, if only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force. The Task Force is reported as an agency fund in Douglas County's financial statements. Financing and equipment will be provided by the full-time and associate member agencies. Douglas County provided \$5,000 to this organization in 2009.

Prime West Central County-Based Purchasing Initiative

The Prime West Central County-Based Purchasing Initiative was established in December 1998 by a joint powers agreement between Douglas County and nine other counties under the authority of Minn. Stat. § 471.59. The purpose of this agreement is to plan and administer a multi-county, county-based purchasing program for medical assistance and general assistance medical care services and other health care programs as authorized by Minn. Stat. § 256B.692.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Prime West Central County-Based Purchasing Initiative (Continued)

Control of the Prime West Central County-Based Purchasing Initiative is vested in a Joint Powers Board. The Board consists of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the joint powers agreement, all property purchased or owned pursuant to this agreement shall be sold and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing-eligible population.

Financing is provided by medical assistance and general assistance medical care payments from the Minnesota Department of Human Services; initial start-up loans from the member counties; and by proportional contributions from member counties, if necessary, to cover operational costs. Douglas County did not contribute any funds to the Prime West Central County-Based Purchasing Initiative during 2009.

Complete financial information can be obtained from:

Prime West Health System
2209 Jefferson Street
Suite 101
Alexandria, Minnesota 56308

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, by a joint powers agreement between Douglas County and five other counties and their respective soil and water conservation districts. The agreement was made to develop and implement plans to protect property from damage of flooding; control erosion of land; protect streams and lakes from sedimentation and pollution; and maintain or improve the quality of water in the streams, lakes, and ground water lying within the boundaries of the watershed of the Pomme de Terre River. Administrative costs are apportioned equally to the soil and water conservation districts based on actual costs.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Pomme de Terre River Association (Continued)

Control is vested in a Joint Powers Board. The Board consists of one representative of each County Board of Commissioners and one representative from each soil and water conservation district Board of Supervisors included within the agreement. During 2009, Douglas County did not contribute any money to the Joint Powers Board.

Complete financial information can be obtained from:

Pomme de Terre River Association Joint Powers Board
900 Robert Street, Suite 104
St. Paul, Minnesota 55103-2108

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 471.59 and 145A.17 and a joint powers agreement, effective June 12, 2007. The Board consists of 12 members, which include an appointed Commissioner from each participating county. McLeod County is the fiscal agent. The primary purpose of the joint venture is to improve the health and life-course of low-income, first-time mothers and their children. The joint venture is financed primarily by contributions from participating counties.

Audited financial statements are available at:

McLeod County Auditor's Office
2385 Hennepin Avenue North
Glencoe, Minnesota 55336

Central Minnesota Regional Radio Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

The purpose of the Central Minnesota Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota. The Central Minnesota Regional Radio Board is composed of one Commissioner of each county appointed by the respective County Board and one City Council member from each city appointed by the respective City Council, as provided in the Central Minnesota Regional Radio Board's by-laws.

In the event of dissolution of the Central Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. Complete financial information can be obtained from:

Central Minnesota Regional Radio Board
City of St. Cloud
Office of the Mayor
City Hall
400 Second Street South
St. Cloud, Minnesota 56303

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items (Continued)

D. Jointly-Governed Organization

District IV Transportation Planning

Douglas County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

E. Other Postemployment Benefits (OPEB)

Plan Description

The County provides OPEB that provide basic medical and hospitalization plan coverage to eligible retirees. County policy allows employees retiring under PERA to continue their coverage under the County's group health insurance program for life. At retirement, employees of Douglas County receiving a retirement or disability benefit, or eligible to receive a benefit from a Minnesota public pension plan, may continue to participate in the County-sponsored group health insurance plan that the employee was a participant of immediately prior to retirement. Employees may obtain dependent coverage at retirement only if the employee was receiving dependent coverage immediately prior to retirement.

Retirees, spouses, and dependents are eligible to remain in the County-sponsored group health insurance plan, provided the applicable premiums are paid. Retirees that elect not to continue health coverage at any time (postemployment) are not eligible to re-enroll in the County-sponsored group health insurance plan. Retirees who initially obtained spouse and/or dependent coverage may drop spouse and/or dependent coverage and maintain coverage for themselves; retirees may not drop coverage for themselves and maintain spouse and/or dependent coverage. Covered spouses and/or dependents may continue coverage after the retiree's death, provided the applicable premiums are paid.

Funding Policy

The County has elected to fund the plan on a pay-as-you-go method.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

E. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period of 30 years. The following tables show the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the County's net OPEB obligation for 2009:

Governmental Activities

| | | |
|---------------------------------|----|---------|
| ARC | \$ | 231,028 |
| Interest on net OPEB obligation | | 8,401 |
| Adjustment to ARC | | (5,108) |
| | | _____ |
| Annual OPEB cost | \$ | 234,321 |
| Contributions during the year | | (6,726) |
| | | _____ |
| Increase in net OPEB obligation | \$ | 227,595 |
| Net OPEB, Beginning of Year | | 168,029 |
| | | _____ |
| Net OPEB, End of Year | \$ | 395,624 |

Business-Type Activities

| | | |
|---------------------------------|----|-----------|
| ARC | \$ | 165,754 |
| Interest on net OPEB obligation | | 4,378 |
| Adjustment to ARC | | (2,667) |
| | | _____ |
| Annual OPEB cost | \$ | 167,465 |
| Contributions during the year | | (118,001) |
| | | _____ |
| Increase in net OPEB obligation | \$ | 49,464 |
| Net OPEB, Beginning of Year | | 87,559 |
| | | _____ |
| Net OPEB, End of Year | \$ | 137,023 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

E. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

GASB Statement 45 was adopted effective January 1, 2008. Therefore, disclosure of annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal years ending December 31, 2007, and earlier are not applicable. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ending December 31, 2009 and 2008, are as follows:

Governmental Activities

| Fiscal Year Ending | Annual OPEB Cost | Annual Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------------|------------------------|------------------------------------|---|------------------------|
| December 31, 2008 | \$ 222,190 | \$ 54,161 | 24.4% | \$ 168,029 |
| December 31, 2009 | 234,321 | 6,726 | 2.9 | 395,624 |

Business-Type Activities

| Fiscal Year Ending | Annual OPEB Cost | Annual Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------------|------------------------|------------------------------------|---|------------------------|
| December 31, 2008 | \$ 163,314 | \$ 75,755 | 46.0% | \$ 87,559 |
| December 31, 2009 | 167,465 | 118,001 | 70.5 | 137,023 |

Three-year trend information will be presented beginning with the year ending December 31, 2010.

Funded Status and Funding Progress

Governmental Activities

As of January 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,557,616, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,557,616. The expected covered payroll (annual payroll of active employees covered by the plan) was \$16,365,401, and the ratio of the UAAL to the covered payroll was 15.6 percent.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

E. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

Business-Type Activities

As of January 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,763,928, and the actuarial value of assets was zero, resulting in UAAL of \$2,763,928. The covered payroll (annual payroll of active employees covered by the plan) was \$21,935,687, and the ratio of the UAAL to the covered payroll was 12.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the entry age normal percent of pay actuarial cost method was used. Each year the UAAL includes the remaining balance of the initial January 1, 2008, UAAL and subsequent changes in UAAL related to plan gains and losses. The initial UAAL and changes in UAAL are each amortized as a

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

E. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

level 6.0 percent of payroll over 30-year closed periods. As of December 31, 2009, the remaining amortization period for the initial UAAL and 2008 gain/loss is 28 and 29 years, respectively. The actuarial assumptions include a 5.0 percent discount rate based on pay-as-you-go funding and health care cost trend rates of 9.5 percent in 2008, decreasing 0.5 percent annually to an ultimate rate of 5.0 percent in 2017 and later.

The January 1, 2010, actuarial valuation assumed health care cost trend rates of 9.5 percent in 2010, decreasing 0.5 percent annually to an ultimate rate of 5.0 percent in 2019 and later.

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, PDSW has the following significant disclosures.

1. Financial Reporting Entity

PDSW is a joint enterprise operation of Pope and Douglas Counties (the Counties). PDSW was established by a Joint Powers Agreement dated December 7, 1983, amended May 1, 1990, and amended again April 9, 1997, pursuant to Minn. Stat. § 471.59, Joint Powers Act.

Each of the Counties is authorized and obligated pursuant to Minn. Stat. chs. 115A and 400, to provide for the management and disposal of solid waste in its respective county. It is the intention of the Counties to cooperate in a joint venture to operate and manage an integrated waste management system within Douglas and Pope Counties. This purpose, without limitation, shall include the planning, administration, and operation of recycling programs; the ownership and operation of a waste-to-energy facility; and the ownership, operation, and management of any ash and/or by-pass landfill. The facility and administrative office are located in Alexandria, Minnesota.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity (Continued)

PDSW is governed by a five-member Board of Directors, two members appointed from Pope County and three from Douglas County. Receipts and disbursements are recorded by the Douglas County Auditor/Treasurer. Douglas County's ownership is 75 percent, and Pope County's ownership is 25 percent.

2. Basic Financial Statements

The accounts of PDSW are organized as an enterprise fund. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of PDSW. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities. PDSW's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets.

3. Measurement Focus and Basis of Accounting

PDSW's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use, it is PDSW's policy to use restricted resources first and then unrestricted resources as needed.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies (Continued)

4. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash and pooled investments and petty cash. PDSW's cash is pooled and invested with Douglas County and is treated as a cash equivalent because PDSW can deposit or effectively withdraw cash at any time without prior notice or penalty. Douglas County obtains collateral to cover the deposits in excess of insurance coverage.

Fund Investments

The Douglas County Auditor/Treasurer purchases investments for PDSW upon its direction. Fund investments are reported at their fair value at December 31, 2009, based on market prices. Additional disclosures, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are disclosed on a County-wide basis in the Douglas County Annual Financial Report.

Investments available to PDSW are authorized in Minn. Stat. §§ 118A.04 and 118A.05 and are detailed in Note 3.A.1.b.

Receivables

All receivables are shown net of an allowance for uncollectibles.

Special assessments receivable consist of delinquent special assessments payable in the years 1997 through 2009.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statements.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets or Equity (Continued)

Restricted Assets

Restricted assets represent the amounts set aside by PDSW for landfill closure and postclosure financial assurances and unspent capital projects bonding. Below is a summary of the restricted assets at December 31, 2009.

| | |
|---|----------------------|
| Restricted for construction investment | \$ 15,352,910 |
| Restricted for capital projects | 1,953,638 |
| Restricted for closure and postclosure care costs | 1,327,838 |
| Accrued interest on restricted investments | <u>111,021</u> |
| Total | <u>\$ 18,745,407</u> |

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by PDSW as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During the current period, PDSW did not have any capitalized interest.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets or Equity

Capital Assets (Continued)

Property, plant, and equipment of PDSW are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|------------------------------------|-------------------|
| Landfill | Based on capacity |
| Buildings | 20 - 40 |
| Building improvements | 20 - 40 |
| Furniture, equipment, and vehicles | 5 - 10 |
| Infrastructure | 20 - 30 |

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred.

Deferred Revenue

The financial statements defer revenue for resources that have been received, but not yet earned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management (Continued)

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables as of December 31, 2009, including the applicable allowances for uncollectible accounts, are as follows:

| | Total Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|----------------------------|----------------------|--|
| Special assessments | \$ 85,780 | \$ - |
| Accounts | 425,189 | - |
| Interest - unrestricted | 19,767 | - |
| Due from other governments | 22,968 | - |
| Interest - restricted | 111,021 | - |
| Total | \$ 664,725 | \$ - |

Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--------------------------------------|----------------------|--------------|----------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 179,288 | \$ - | \$ - | \$ 179,288 |
| Construction in progress | 513,790 | 1,208,395 | - | 1,722,185 |
| Total capital assets not depreciated | \$ 693,078 | \$ 1,208,395 | \$ - | \$ 1,901,473 |
| Capital assets depreciated | | | | |
| Land improvements | \$ 3,377,612 | \$ - | \$ - | \$ 3,377,612 |
| Infrastructure | 1,173,839 | 272,965 | - | 1,446,804 |
| Buildings | 5,847,966 | - | - | 5,847,966 |
| Machinery, furniture, and equipment | 8,891,131 | 9,407 | - | 8,900,538 |
| Total capital assets depreciated | \$ 19,290,548 | \$ 282,372 | \$ - | \$ 19,572,920 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---------------------------------------|----------------------|---------------------|-------------|----------------------|
| Less: accumulated depreciation for | | | | |
| Land improvements | \$ 985,675 | \$ 140,873 | \$ - | \$ 1,126,548 |
| Infrastructure | 58,692 | 49,485 | - | 108,177 |
| Buildings | 2,199,703 | 200,946 | - | 2,400,649 |
| Machinery, furniture, and equipment | 4,380,743 | 599,398 | - | 4,980,141 |
| Total accumulated depreciation | <u>\$ 7,624,813</u> | <u>\$ 990,702</u> | <u>\$ -</u> | <u>\$ 8,615,515</u> |
| Total capital assets depreciated, net | <u>\$ 11,665,735</u> | <u>\$ (708,330)</u> | <u>\$ -</u> | <u>\$ 10,957,405</u> |
| Capital Assets, Net | <u>\$ 12,358,813</u> | <u>\$ 500,065</u> | <u>\$ -</u> | <u>\$ 12,858,878</u> |

2. Liabilities

Payables

Payables at December 31, 2009, were as follows:

| | |
|--------------------------|-------------------|
| Accounts | \$ 159,076 |
| Salaries | 100,357 |
| Contracts payable | 62,174 |
| Due to other governments | 6,022 |
| Accrued interest payable | <u>43,778</u> |
| Total Payables | <u>\$ 371,407</u> |

Operating Leases

PDSW contracts with Alex Rubbish Services, Inc., to transport ash from the waste-to-energy incinerator, provide services to operate the landfill, and transport any leachate to a facility designated by PDSW. The lease provides payments based upon the formula provided in the agreement. Lease payments were \$216,045 in 2009. The lease, beginning October 1, 2008, is for a two-year period and contains a 90-day cancellation notice by either party.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Long-Term Debt

| Type of Indebtedness | Final Maturity | Installment Amount | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2008 |
|-------------------------------------|----------------|--------------------|-------------------|-----------------------|---------------------------------------|
| General Obligation Bonds | | | | | |
| 2007B G.O. Temporary Bonds | 2010 | \$ 1,035,000 | 3.30 | \$ 1,035,000 | \$ 1,035,000 |
| 2009B G.O. Temporary Bonds | 2012 | 18,000,000 | 2.00 | 18,000,000 | 18,000,000 |
| Add: Unamortized premium | | | | | <u>78,337</u> |
| Total General Obligation Bonds, Net | | | | | <u>\$ 19,113,337</u> |

Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

| Year Ending December 31 | G.O. Temporary Bonds Payable | |
|-------------------------|------------------------------|---------------------|
| | Principal | Interest |
| 2010 | \$ 1,035,000 | \$ 377,078 |
| 2011 | - | 360,000 |
| 2012 | <u>18,000,000</u> | <u>360,000</u> |
| Total | <u>\$ 19,035,000</u> | <u>\$ 1,097,078</u> |

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---------------------|----------------------|------------------|----------------------|---------------------|
| Estimated liability for landfill closure and postclosure care costs | \$ 448,431 | \$ 17,987 | \$ - | \$ 466,418 | \$ - |
| Compensated absences | 252,641 | 126,273 | 96,241 | 282,673 | 78,006 |
| OPEB liability | 20,735 | 26,158 | 606 | 46,287 | - |
| General obligation bonds | 1,035,000 | 18,000,000 | - | 19,035,000 | 1,035,000 |
| Add: Unamortized premium | <u>2,594</u> | <u>77,040</u> | <u>1,297</u> | <u>78,337</u> | <u>-</u> |
| Long-Term Liabilities | <u>\$ 1,759,401</u> | <u>\$ 18,247,458</u> | <u>\$ 98,144</u> | <u>\$ 19,908,715</u> | <u>\$ 1,113,006</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management (Continued)

C. Employee Retirement Systems and Pension Plans

All full-time and certain part-time employees of PDSW are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota. Disclosures about the Public Employees Retirement Fund can be found in Note 4.A.

PDSW's contributions for the years ending December 31, 2009, 2008, and 2007, were \$102,583, \$91,531, and \$84,453, respectively, equal to the contractually required contributions for each year as set by state statute.

Two of the Douglas County Board members are covered by the Public Employees Defined Contribution Plan. Total contributions by dollar amount and percentage of covered payroll made by PDSW during the year ended December 31, 2009, were \$107.20 and five percent, respectively.

D. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require PDSW to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, PDSW reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$466,418 landfill closure and postclosure care liability at December 31, 2009, represents the cumulative amount reported to date based on the use of 10.3 percent of the estimated capacity of the landfill. PDSW will recognize the remaining estimated cost of closure and postclosure care of \$1,162,352 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. PDSW expects to close the landfill in 2161. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

PDSW is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. PDSW is in compliance with these requirements and, at December 31, 2009, investments of \$1,327,838 are held for these purposes. These are reported as restricted assets on the statement of net assets. PDSW expects that future inflation costs will be paid from investment earnings

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

D. Landfill Closure and Postclosure Care Costs (Continued)

on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

E. Risk Management

PDSW is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which PDSW carries commercial insurance. To cover these risks, PDSW is a member of both the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust, Workers' Compensation and Property and Casualty Divisions. For other risk, PDSW carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years. Disclosures about the Workers' Compensation Division and the Property and Casualty Division of MCIT can be found in Note 5.

PDSW participates in the Douglas County self-insurance program for employee health coverage. The activity is recorded in the Douglas County Self-Insurance Internal Service Fund.

F. Summary of Significant Contingencies and Other Items

1. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although PDSW expects such amounts, if any, to be immaterial.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

F. Summary of Significant Contingencies and Other Items (Continued)

2. Designated Funds

PDSW has set aside funds for construction of a landfill and equipment replacement. Below is a summary of the investments set aside at December 31, 2009.

| | | |
|--------------------------------------|----|--------------|
| Designated for landfill construction | \$ | 1,120,806 |
| Designated for equipment replacement | | 3,656,022 |
| Total | | \$ 4,776,828 |

3. Operating Budgets

| | Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------------|----------------|----------------|--|
| Operating Revenues | \$ 2,784,410 | \$ 2,950,092 | \$ 165,682 |
| Operating Expenses | 4,075,066 | 5,416,888 | (1,341,822) |
| Operating Income (Loss) | \$ (1,290,656) | \$ (2,466,796) | \$ (1,176,140) |
| Nonoperating Revenues (Expenses) | 1,499,456 | 1,419,537 | (79,919) |
| Net Income (Loss) | \$ 208,800 | \$ (1,047,259) | \$ (1,256,059) |

4. Affiliated Debt

In financing the construction of the materials recycling facility, the sponsoring counties sold general obligation bonds; these bonds are the liability of Pope and Douglas Counties and not of PDSW. Outstanding debt of each county related to the financing is as follows:

| Type of Indebtedness | Final Maturity | Installment Amounts | Net Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2009 |
|--|-------------------|----------------------------|--------------------------------|-----------------------------|--|
| 2002 Pope County G.O. Solid Waste Bonds | 2011 | \$ 90,000 - \$ 115,000 | 3.3531 | \$ 1,030,000 | \$ 225,000 |
| 2002C Douglas County G.O. Solid Waste Disposal Bonds | 2021 | \$ 105,000 - \$ 225,000 | 4.5377 | 3,075,000 | 2,080,000 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

F. Summary of Significant Contingencies and Other Items (Continued)

5. Other Postemployment Benefits (OPEB)

As of January 1, 2008, PDSW adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. PDSW engaged an actuary to determine PDSW's liability for postemployment health care benefits as of January 1, 2008. The actuary determined the only obligation PDSW has to record is the implied subsidy portion as described in the standard. Disclosures about OPEB can be found in Note 7.E.

The following table shows the components of PDSW's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in PDSW's net OPEB obligation for 2009.

| | | |
|------------------------------------|----|----------------------|
| Annual required contribution (ARC) | \$ | 25,751 |
| Interest on net OPEB obligation | | 1,037 |
| Adjustment to ARC | | <u>(630)</u> |
| Annual OPEB cost | \$ | 26,158 |
| Contributions during the year | | <u>(606)</u> |
| Increase in net OPEB obligation | \$ | 25,552 |
| Net OPEB, Beginning of Year | | <u>20,735</u> |
| Net OPEB, End of Year | \$ | <u><u>46,287</u></u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

F. Summary of Significant Contingencies and Other Items

5. Other Postemployment Benefits (OPEB) (Continued)

GASB Statement 45 was adopted effective January 1, 2008. Therefore, disclosures of annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal years ending December 31, 2007, and earlier are not applicable. PDSW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending 2009 and the preceding two years are as follows:

| <u>Fiscal Year Ending</u> | <u>Annual OPEB Cost</u> | <u>Annual Employer Contribution</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-----------------------------------|---------------------------------|---|---|--------------------------------|
| December 31, 2007 | N/A | N/A | N/A | N/A |
| December 31, 2008 | \$ 25,047 | \$ 4,312 | 17.2% | \$ 20,735 |
| December 31, 2009 | 26,158 | 606 | 2.3 | 46,287 |

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$186,218, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$186,218. The expected covered payroll (annual payroll of active employees covered by the plan) was \$1,568,461, and the ratio of the UAAL to the covered payroll was 11.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

F. Summary of Significant Contingencies and Other Items

5. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the entry age normal percent of pay actuarial cost method was used. Each year, the UAAL includes the remaining balance of the initial January 1, 2008, UAAL and subsequent changes in UAAL related to plan gains and losses. The initial UAAL and changes in UAAL are each amortized as a level 6.0 percent of payroll over 30-year closed periods. As of December 31, 2009, the remaining amortization period for the initial UAAL and 2008 gain/loss is 28 and 29 years, respectively. The actuarial assumptions include a 5.0 percent discount rate based on pay-as-you-go funding and health care cost trend rates of 9.5 percent in 2008, decreasing 0.5 percent annually to an ultimate rate of 5.0 percent in 2017 and later.

The January 1, 2010, actuarial valuation assumed health care cost trend rates of 9.5 percent in 2010, decreasing 0.5 percent annually to an ultimate rate of 5.0 percent in 2019 and later.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

A. Summary of Significant Accounting Policies

The accounting policies of the Housing and Redevelopment Authority (HRA) of Douglas County conform to accounting principles generally accepted in the United States of America as applied to governmental units. The following is a summary of the more significant policies.

1. Financial Reporting Entity

A six-member Board of Commissioners, appointed by the County Board, governs the HRA. The HRA provides low-income public housing to eligible individuals and families in accordance with the annual contributions contracts approved by the United States Department of Housing and Urban Development (HUD) and in accordance with an agreement with the United States Department of Agriculture's Rural Economic and Community Development Agency. The HRA also administers numerous state and local housing programs for eligible households, including rehabilitation loans, down-payment assistance, housing assistance payments, and septic system reconstruction loans, among others.

2. Financial Statements

The statement of net assets and the statement of activities present financial information about the HRA's overall activities, which are classified as business-type activities. The HRA has no governmental or fiduciary funds. Eliminations have been made to minimize the double counting of internal transactions. Business-type activities are financed, at least in part, by fees charged to external parties. The statement of activities presents a comparison between direct expenses and program revenues for business-type activities. Direct expenses are those specifically associated with and clearly identifiable to a particular function. Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

A. Summary of Significant Accounting Policies (Continued)

3. Measurement Focus and Basis of Accounting

The HRA-wide proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the HRA gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the HRA may fund certain programs by a combination of specific cost-reimbursement grants, block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the HRA's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Reports for the HRA's enterprise funds are prepared following the Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

4. Investments

The HRA's investments are time deposits (savings, preferred money market accounts, or certificates of deposit), which are stated at fair value, which approximates cost.

5. Accounts Receivable

No allowance for doubtful accounts is included in these financial statements, as management believes such amounts are not material.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

A. Summary of Significant Accounting Policies (Continued)

6. Capital Assets

Capital assets are stated at cost. The cost of maintenance and repairs that does not add value to assets or materially extend assets' lives is not capitalized. The capitalization policy of the HRA is to capitalize assets costing more than \$200.

7. Budgetary Process

The HRA prepares an annual operating budget with formal Board approval prior to the start of its fiscal year. HUD requests the HRA keep the budget on file and submit to HUD the calculation for operating subsidy. The HRA must prepare a revised operating budget only when total expenditures exceed the amount originally budgeted. The revised budget, if needed, is also kept on file at the HRA office. State programs are indirectly budgeted for based on the program dollars available for expenditure.

8. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Cash Equivalents

For purposes of the statement of cash flows, the HRA considers cash equivalents to include all accounts having an original maturity of three months or less.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County (Continued)

B. Cash and Investments

Cash and investments as of December 31, 2009, are classified in the accompanying financial statements as follows:

| | |
|--|------------|
| Statement of net assets | |
| Cash and pooled investments | \$ 559,800 |
| Restricted cash and pooled investments | 16,296 |
| Restricted investments | 402,931 |
| Total | \$ 979,027 |

Cash and investments as of December 31, 2009, consist of the following:

| | Carrying Amount | Bank Balance |
|--------------------------------|--------------------|-----------------|
| Demand deposits | \$ 576,046 | \$ 588,372 |
| Petty cash | 50 | - |
| Restricted investments | | |
| Trust money market investments | 365,893 | 365,893 |
| Money market investments | 37,038 | 37,038 |
| Total | \$ 979,027 | \$ 991,303 |

Restricted investments of \$402,931 are entirely invested in money market mutual fund accounts where the book carrying and the bank balance are the same. All except \$37,038 of these investments are held in trust with a large banking institution.

Investments Authorized by the HRA's Investment Policy

The HRA is required to invest its funds in accordance with Minn. Stat. ch. 118A. The HRA does not have an investment policy with any specific provisions intended to limit its exposure to investment rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. At year-end, the HRA did not have any investment in certificates of deposit.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

B. Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At year-end, the HRA held no rated investments.

Disclosures Relating to Concentration of Credit Risk

Statement of Financial Accounting Standards 105 defines a concentration of credit risk as an exposure to a number of counterparties engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The HRA does not have an existing investment policy regarding concentration of credit risk.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities in the possession of an outside party. The HRA does not have an investment policy that would limit the exposure to custodial credit risk for deposits.

The HRA had \$72,439 in deposits with financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts at December 31, 2009. Uninsured amounts may have been higher than the December 31, 2009, amount throughout the year.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (such as a broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities in the possession of another party. The HRA does not have a policy that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County (Continued)

C. Capital Assets

A summary of changes in capital assets is as follows:

| | Balance January 1, 2009 | Additions | Disposals | Balance December 31, 2009 |
|--|-------------------------------|-------------------|-------------------|---------------------------------|
| PHA-owned | | | | |
| Land | \$ 113,171 | \$ - | \$ - | \$ 113,171 |
| Land improvements | 152,175 | - | - | 152,175 |
| Buildings and improvements | 1,854,264 | 57,484 | - | 1,911,748 |
| Furniture and equipment | 69,240 | 1,166 | - | 70,406 |
| Construction in progress | - | 22,403 | - | 22,403 |
| Total | \$ 2,188,850 | \$ 81,053 | \$ - | \$ 2,269,903 |
| Less: accumulated depreciation | (1,209,613) | (72,165) | - | (1,281,778) |
| Total PHA-owned | \$ 979,237 | \$ 8,888 | \$ - | \$ 988,125 |
| Housing choice vouchers | | | | |
| Leasehold improvements | \$ 4,177 | \$ - | \$ - | \$ 4,177 |
| Office equipment | 3,409 | - | - | 3,409 |
| Total | \$ 7,586 | \$ - | \$ - | \$ 7,586 |
| Less: accumulated depreciation | (7,586) | - | - | (7,586) |
| Total housing choice vouchers | \$ - | \$ - | \$ - | \$ - |
| Rural Economic and Community Development (RECD) | | | | |
| Land | \$ 3,350 | \$ - | \$ - | \$ 3,350 |
| Land improvements | 70,672 | 1,842 | - | 72,514 |
| Buildings and improvements | 133,465 | - | - | 133,465 |
| Furniture and equipment | 36,167 | 4,512 | - | 40,679 |
| Total | \$ 243,654 | \$ 6,354 | \$ - | \$ 250,008 |
| Less: accumulated depreciation | (71,142) | (13,429) | - | (84,571) |
| Total RECD | \$ 172,512 | \$ (7,075) | \$ - | \$ 165,437 |
| Administrative Fund | | | | |
| Land | \$ 87,902 | \$ - | \$ - | \$ 87,902 |
| Construction in progress | 484,798 | - | 484,798 | - |
| Land improvements | - | 6,998 | - | 6,998 |
| Buildings | - | 503,206 | - | 503,206 |
| Furniture and equipment | 57,976 | 18,611 | - | 76,587 |
| Total | \$ 630,676 | \$ 528,815 | \$ 484,798 | \$ 674,693 |
| Less: accumulated depreciation | (56,490) | (12,912) | - | (69,402) |
| Total Administrative Fund | \$ 574,186 | \$ 515,903 | \$ 484,798 | \$ 605,291 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

C. Capital Assets (Continued)

| | Balance January 1, 2009 | Additions | Disposals | Balance December 31, 2009 |
|---------------------------------|-------------------------------|-------------|------------|---------------------------------|
| Cardinal Estates | | | | |
| Land | \$ 37,309 | \$ - | \$ - | \$ 37,309 |
| Land improvements | 49,670 | 2,898 | - | 52,568 |
| Buildings | 1,139,150 | - | - | 1,139,150 |
| Furniture and equipment | 23,636 | 4,861 | - | 28,497 |
| Total | \$ 1,249,765 | \$ 7,759 | \$ - | \$ 1,257,524 |
| Less: accumulated depreciation | (200,600) | (29,643) | - | (230,243) |
| Total Cardinal Estates | \$ 1,049,165 | \$ (21,884) | \$ - | \$ 1,027,281 |
| Garfield Creamery project | | | | |
| Land | \$ 16,000 | \$ - | \$ - | \$ 16,000 |
| Land improvements | 36,927 | - | - | 36,927 |
| Buildings | 700,128 | - | - | 700,128 |
| Furniture and equipment | 10,758 | 1,294 | - | 12,052 |
| Total | \$ 763,813 | \$ 1,294 | \$ - | \$ 765,107 |
| Less: accumulated depreciation | (119,855) | (21,197) | - | (141,052) |
| Total Garfield Creamery project | \$ 643,958 | \$ (19,903) | \$ - | \$ 624,055 |
| Totals | \$ 3,419,058 | \$ 475,929 | \$ 484,798 | \$ 3,410,189 |

D. Lines of Credit

The HRA has available a revolving line of credit with a local financial institution. The maximum available loan is \$25,000. The line of credit is renewable every six months and carries a floating interest rate (7.9 percent at December 31, 2009). At December 31, 2009, the HRA has made no draws on its available line, leaving \$25,000 to draw.

E. Other Postemployment Benefits

The HRA offers no material postemployment benefits to employees upon separation from service. Employees receive no payments at or after separation from service other than accrued sick and vacation pay, which is already accrued in this report. The only postemployment benefit an employee may receive is COBRA continuation of his or her health insurance, for which the separated employee must pay 100 percent of the premium.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County (Continued)

F. Long-Term Obligations

RECD Loan Assumption

As part of the RECD project acquisition, the HRA assumed the previous owner's note payable on the project due to RECD. The note assumed was for \$84,237, with an interest rate of eight percent annually. Monthly payments of \$717, including interest, are required until maturity on May 2, 2018. Interest expense is partially subsidized by RECD each month. The 2009 subsidy totaled \$4,090 and is recorded as both grant revenue and interest expense in these financial statements. The annual requirements to retire this mortgage note are as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|------------------|------------------|------------------|
| 2010 | \$ 4,564 | \$ 4,042 | \$ 8,606 |
| 2011 | 4,943 | 3,663 | 8,606 |
| 2012 | 5,353 | 3,253 | 8,606 |
| 2013 | 5,797 | 2,809 | 8,606 |
| 2014 | 6,278 | 2,328 | 8,606 |
| 2015 - 2018 | <u>25,650</u> | <u>3,744</u> | <u>29,394</u> |
| Totals | <u>\$ 52,585</u> | <u>\$ 19,839</u> | <u>\$ 72,424</u> |

The County dug a culvert in 2003 to control water problems in and around the project's area and assessed the costs to affected property owners. Remaining payments to amortize the debt are as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|------------------|-----------------|-----------------|
| 2010 | \$ 178 | \$ 252 | \$ 430 |
| 2011 | 99 | 116 | 215 |
| 2012 | 106 | 109 | 215 |
| 2013 | 113 | 102 | 215 |
| 2014 | 121 | 94 | 215 |
| 2015 - 2019 | <u>1,225</u> | <u>182</u> | <u>1,407</u> |
| Totals | <u>\$ 1,842</u> | <u>\$ 855</u> | <u>\$ 2,697</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

F. Long-Term Obligations (Continued)

State of Minnesota Department of Trade and Economic Development Loan

As part of an agreement with the State of Minnesota, the HRA borrowed \$448,000 from the state interest-free to loan to residents of Douglas County for septic system repairs. The loan is payable in semi-annual installments of \$22,400, due each July and December. Proceeds to repay the loan come from repayments by homeowners to the HRA for the individual septic system loans. These payments are collected via special assessments on the individual homeowner's property tax bills. The final payment on this loan was made in 2009.

The HRA, in June 2001, issued \$1,500,000 General Obligation Governmental Housing Bonds, Series 2001A. These bonds were issued to finance all costs associated with acquiring needed land and building a ten-unit housing facility on Cardinal Lane in Alexandria, Minnesota, and a two-unit housing facility in Nelson Second Addition in Evansville, Minnesota. The bond issue and related activity is included under the caption of "Cardinal Estates." At December 31, 2001, construction was completed, and the units were available for occupancy. The units were first rented and occupied beginning in February 2002. The annual requirements to retire the bonds are as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| 2010 | \$ 20,000 | \$ 73,540 | \$ 93,540 |
| 2011 | 20,000 | 72,660 | 92,660 |
| 2012 | 25,000 | 71,640 | 96,640 |
| 2013 | 25,000 | 70,471 | 95,471 |
| 2014 | 30,000 | 69,128 | 99,128 |
| 2015 - 2019 | 190,000 | 319,388 | 509,388 |
| 2020 - 2024 | 300,000 | 259,189 | 559,189 |
| 2025 - 2029 | 450,000 | 163,360 | 613,360 |
| 2030 - 2032 | 360,000 | 30,800 | 390,800 |
| Totals | <u>\$ 1,420,000</u> | <u>\$ 1,130,176</u> | <u>\$ 2,550,176</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

F. Long-Term Obligations

State of Minnesota Department of Trade and Economic Development Loan (Continued)

The County dug a culvert in 2003 to control water problems in and around the project's area and assessed the costs to affected property owners. Remaining payments to amortize the debt are as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|------------------|-----------------|-----------------|
| 2010 | \$ 380 | \$ 393 | \$ 773 |
| 2011 | 210 | 176 | 386 |
| 2012 | 225 | 162 | 387 |
| 2013 | 241 | 146 | 387 |
| 2014 | 258 | 129 | 387 |
| 2015 - 2019 | <u>1,584</u> | <u>348</u> | <u>1,932</u> |
| Totals | <u>\$ 2,898</u> | <u>\$ 1,354</u> | <u>\$ 4,252</u> |

Cardinal Estates - Special Assessments

As part of the Cardinal Estates project, the City of Alexandria extended water lines to the project that was special assessed against the property over a ten-year period. The unpaid balance is also assessed a seven percent interest charge annually. The annual requirements to retire the debt are as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|------------------|-----------------|-----------------|
| 2010 | \$ 2,012 | \$ 436 | \$ 2,448 |
| 2011 | <u>2,012</u> | <u>141</u> | <u>2,153</u> |
| Totals | <u>\$ 4,024</u> | <u>\$ 577</u> | <u>\$ 4,601</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

F. Long-Term Obligations (Continued)

Garfield Creamery Apartment Project

The HRA issued 20-year bonds totaling \$685,000 in July 2002 for the purpose of rehabilitating the old Garfield Creamery building into rental apartments for qualified low-income individuals and families. The HRA contributed \$40,000 of its own funds toward the project, which was occupied in 2003. Annual maturities to retire the bonds are as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|-------------------|-------------------|-------------------|
| 2010 | \$ 30,000 | \$ 25,256 | \$ 55,256 |
| 2011 | 30,000 | 24,056 | 54,056 |
| 2012 | 30,000 | 22,841 | 52,841 |
| 2013 | 30,000 | 20,951 | 50,951 |
| 2014 | 35,000 | 20,186 | 55,186 |
| 2015 - 2019 | 200,000 | 74,890 | 274,890 |
| 2020 - 2023 | 200,000 | 20,750 | 220,750 |
| Totals | <u>\$ 555,000</u> | <u>\$ 208,930</u> | <u>\$ 763,930</u> |

Viking Savings Bank

The HRA took out two notes in connection with the purchase and remodeling of its new office building. The building was purchased in 2008, remodeled, and occupied in February 2009. The first note is for \$382,500 with an interest rate of five percent and is dated December 9, 2008. Regular monthly principal and interest payments of \$2,540 began April 9, 2009. The second note is for \$57,000 with an interest rate of five percent and is dated July 7, 2009. Regular monthly principal and interest payments of \$615 began July 9, 2009. Annual maturities to retire the notes are as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|-------------------|------------------|-------------------|
| 2010 | \$ 11,788 | \$ 18,693 | \$ 30,481 |
| 2011 | 12,399 | 18,081 | 30,480 |
| 2012 | 12,992 | 17,488 | 30,480 |
| 2013 | 336,928 | 8,446 | 345,374 |
| Totals | <u>\$ 374,107</u> | <u>\$ 62,708</u> | <u>\$ 436,815</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

F. Long-Term Obligations

Viking Savings Bank (Continued)

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|------------------|-----------------|------------------|
| 2010 | \$ 4,726 | \$ 2,654 | \$ 7,380 |
| 2011 | 4,971 | 2,409 | 7,380 |
| 2012 | 5,223 | 2,157 | 7,380 |
| 2013 | 5,500 | 1,880 | 7,380 |
| 2014 | 34,089 | 832 | 34,921 |
| Totals | <u>\$ 54,509</u> | <u>\$ 9,932</u> | <u>\$ 64,441</u> |

G. Employee Retirement Plans

All full-time employees of the HRA are covered by a tax-sheltered annuity, covered under IRC Section 403(b). The HRA contributes up to a five percent match for each employee's pay to his or her annuity. For 2009, employee elective deferrals were available to a maximum of \$15,500 annually (\$20,500 for those ages 50 and over). The payroll for employees covered by the plan for the year ended December 31, 2009, was \$273,173, equal to the HRA's total payroll for the year. HRA contributions to the plan for the three years ended December 31, 2009, 2008, and 2007, equaled \$12,971, \$7,745, and \$12,481, respectively.

H. Risk Management

The HRA is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage for at least the past three fiscal years.

I. \$6,800,000 Public Project Lease Revenue Bonds, Series 2008A

The HRA issued bonds in the amount of \$6,800,000 on November 12, 2008, which are the repayment responsibility of Douglas County. The County is completely responsible for the repayment of these bonds, and the HRA has no contingent liability with regard to these bonds. As such, these bonds are not reflected in the financial statements of the HRA.

REQUIRED SUPPLEMENTARY INFORMATION

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 10,048,113 | \$ 10,048,113 | \$ 10,003,034 | \$ (45,079) |
| Special assessments | - | - | 24,865 | 24,865 |
| Licenses and permits | 239,580 | 239,580 | 177,408 | (62,172) |
| Intergovernmental | 2,155,501 | 2,155,501 | 2,540,253 | 384,752 |
| Charges for services | 1,429,935 | 1,431,935 | 1,779,747 | 347,812 |
| Fines and forfeits | 68,000 | 68,000 | 107,150 | 39,150 |
| Gifts and contributions | 2,250 | 2,250 | 7,080 | 4,830 |
| Investment earnings | 596,000 | 596,000 | 164,739 | (431,261) |
| Miscellaneous | 280,807 | 278,807 | 467,382 | 188,575 |
| Total Revenues | \$ 14,820,186 | \$ 14,820,186 | \$ 15,271,658 | \$ 451,472 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 231,429 | \$ 231,429 | \$ 220,976 | \$ 10,453 |
| Court administrator | 158,000 | 158,000 | 122,775 | 35,225 |
| Law library | 34,000 | 34,000 | 29,924 | 4,076 |
| County auditor/treasurer | 532,256 | 532,256 | 528,566 | 3,690 |
| License bureau | 409,682 | 409,682 | 397,106 | 12,576 |
| County assessor | 674,316 | 674,316 | 672,958 | 1,358 |
| Elections | 4,500 | 4,500 | 30,509 | (26,009) |
| Accounting and auditing | 65,000 | 65,000 | 65,585 | (585) |
| Information systems | 522,704 | 522,704 | 566,236 | (43,532) |
| Central services | 505,000 | 505,000 | 478,163 | 26,837 |
| Coordinator | 273,701 | 273,701 | 272,766 | 935 |
| Attorney | 784,815 | 784,815 | 770,048 | 14,767 |
| Recorder | 310,863 | 310,863 | 569,278 | (258,415) |
| Planning and zoning | 475,857 | 475,857 | 474,582 | 1,275 |
| Maintenance | 1,078,067 | 1,078,067 | 1,033,111 | 44,956 |
| Veterans service officer | 133,019 | 133,019 | 124,376 | 8,643 |
| Humane society | 7,793 | 7,793 | 7,793 | - |
| Total general government | \$ 6,201,002 | \$ 6,201,002 | \$ 6,364,752 | \$ (163,750) |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Public safety | | | | |
| Sheriff | \$ 2,843,865 | \$ 2,843,865 | \$ 2,815,048 | \$ 28,817 |
| Drug task force | - | - | 145,240 | (145,240) |
| Boat and water safety | 87,140 | 87,140 | 82,567 | 4,573 |
| 800 Megahertz | - | - | 61,986 | (61,986) |
| Coroner | 26,000 | 26,000 | 18,374 | 7,626 |
| Enhanced 911 system | 115,000 | 115,000 | 57,666 | 57,334 |
| County jail | 3,462,681 | 3,462,681 | 3,520,087 | (57,406) |
| Probation officer | 371,931 | 371,931 | 414,908 | (42,977) |
| Dispatch | 527,425 | 527,425 | 531,530 | (4,105) |
| Emergency management | 27,028 | 27,028 | 32,218 | (5,190) |
| Total public safety | \$ 7,461,070 | \$ 7,461,070 | \$ 7,679,624 | \$ (218,554) |
| Culture and recreation | | | | |
| Historical society | \$ 4,500 | \$ 4,500 | \$ 4,500 | \$ - |
| DATA trails | - | - | 89,520 | (89,520) |
| Central Minnesota elder network | 6,000 | 6,000 | 6,000 | - |
| Total culture and recreation | \$ 10,500 | \$ 10,500 | \$ 100,020 | \$ (89,520) |
| Conservation of natural resources | | | | |
| Soil and water conservation | \$ 189,312 | \$ 189,312 | \$ 213,967 | \$ (24,655) |
| County extension | 165,864 | 165,864 | 151,128 | 14,736 |
| Land and resource management | 182,975 | 182,975 | 76,565 | 106,410 |
| Chippewa River watershed sewer project | - | - | 39,526 | (39,526) |
| Agricultural society | 4,000 | 4,000 | 4,000 | - |
| Total conservation of natural resources | \$ 542,151 | \$ 542,151 | \$ 485,186 | \$ 56,965 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Economic development | | | | |
| Housing and Redevelopment Authority | \$ 40,045 | \$ 40,045 | \$ 40,045 | \$ - |
| West Central Initiative Fund | 8,000 | 8,000 | 8,000 | - |
| Total economic development | \$ 48,045 | \$ 48,045 | \$ 48,045 | \$ - |
| Debt service | | | | |
| Principal | \$ 557,418 | \$ 155,000 | \$ 32,055 | \$ 122,945 |
| Interest | - | 402,418 | 232,957 | 169,461 |
| Total debt service | \$ 557,418 | \$ 557,418 | \$ 265,012 | \$ 292,406 |
| Total Expenditures | \$ 14,820,186 | \$ 14,820,186 | \$ 14,942,639 | \$ (122,453) |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ - | \$ - | \$ 329,019 | \$ 329,019 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ - | \$ - | \$ 245 | \$ 245 |
| Transfers out | - | - | (412,849) | (412,849) |
| Proceeds from capital lease | - | - | 243,769 | 243,769 |
| Loans issued | - | - | 40,018 | 40,018 |
| Total Other Financing Sources (Uses) | \$ - | \$ - | \$ (128,817) | \$ (128,817) |
| Net Change in Fund Balance | \$ - | \$ - | \$ 200,202 | \$ 200,202 |
| Fund Balance - January 1 | 9,873,788 | 9,873,788 | 9,873,788 | - |
| Fund Balance - December 31 | \$ 9,873,788 | \$ 9,873,788 | \$ 10,073,990 | \$ 200,202 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 3,464,505 | \$ 3,464,505 | \$ 3,443,626 | \$ (20,879) |
| Special assessments | - | - | 1,451 | 1,451 |
| Intergovernmental | 5,086,350 | 5,086,350 | 6,298,968 | 1,212,618 |
| Charges for services | 443,500 | 443,500 | 396,917 | (46,583) |
| Gifts and contributions | - | - | 42,000 | 42,000 |
| Investment earnings | 1,700 | 1,700 | 8,290 | 6,590 |
| Miscellaneous | 226,100 | 226,100 | 377,583 | 151,483 |
| Total Revenues | \$ 9,222,155 | \$ 9,222,155 | \$ 10,568,835 | \$ 1,346,680 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Surveyor | \$ 514,480 | \$ 514,480 | \$ 486,801 | \$ 27,679 |
| Highways and streets | | | | |
| Administration | \$ 609,806 | \$ 609,806 | \$ 505,956 | \$ 103,850 |
| Maintenance | 2,084,827 | 2,084,827 | 2,137,200 | (52,373) |
| Engineering/construction | 4,647,603 | 4,647,603 | 4,364,396 | 283,207 |
| Equipment, maintenance, and shop | 7,715,563 | 7,715,563 | 4,477,587 | 3,237,976 |
| Materials and services for resale | 579,541 | 579,541 | 628,406 | (48,865) |
| Central fueling | 6,410 | 6,410 | 1,757 | 4,653 |
| Other | 168,223 | 168,223 | 136,793 | 31,430 |
| Total highways and streets | \$ 15,811,973 | \$ 15,811,973 | \$ 12,252,095 | \$ 3,559,878 |
| Culture and recreation | | | | |
| Parks | \$ 388,270 | \$ 388,270 | \$ 643,527 | \$ (255,257) |
| Conservation of natural resources | | | | |
| Agriculture inspection | \$ 22,432 | \$ 22,432 | \$ 18,016 | \$ 4,416 |
| Intergovernmental | | | | |
| Highways and streets | \$ 260,000 | \$ 260,000 | \$ 285,921 | \$ (25,921) |
| Total Expenditures | \$ 16,997,155 | \$ 16,997,155 | \$ 13,686,360 | \$ 3,310,795 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 2
(Continued)

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Excess of Revenues Over (Under) Expenditures | \$ (7,775,000) | \$ (7,775,000) | \$ (3,117,525) | \$ 4,657,475 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 7,775,000 | \$ 7,775,000 | \$ 1,126,819 | \$ (6,648,181) |
| Transfers out | - | - | (245) | (245) |
| Total Other Financing Sources (Uses) | \$ 7,775,000 | \$ 7,775,000 | \$ 1,126,574 | \$ (6,648,426) |
| Net Change in Fund Balance | \$ - | \$ - | \$ (1,990,951) | \$ (1,990,951) |
| Fund Balance - January 1 | 4,466,532 | 4,466,532 | 4,466,532 | - |
| Increase (decrease) in reserved for inventories | - | - | (48,649) | (48,649) |
| Fund Balance - December 31 | \$ 4,466,532 | \$ 4,466,532 | \$ 2,426,932 | \$ (2,039,600) |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 3,851,870 | \$ 3,851,870 | \$ 3,824,111 | \$ (27,759) |
| Licenses and permits | 9,800 | 9,800 | 13,825 | 4,025 |
| Intergovernmental | 3,967,775 | 3,967,775 | 4,074,075 | 106,300 |
| Charges for services | 374,825 | 374,825 | 467,071 | 92,246 |
| Gifts and contributions | - | - | 150 | 150 |
| Miscellaneous | 8,500 | 8,500 | 23,955 | 15,455 |
| Total Revenues | \$ 8,212,770 | \$ 8,212,770 | \$ 8,403,187 | \$ 190,417 |
| Expenditures | | | | |
| Current | | | | |
| Human services | | | | |
| Income maintenance | \$ 2,626,245 | \$ 2,626,245 | \$ 2,612,232 | \$ 14,013 |
| Social services | 5,586,525 | 5,586,525 | 5,516,943 | 69,582 |
| Total Expenditures | \$ 8,212,770 | \$ 8,212,770 | \$ 8,129,175 | \$ 83,595 |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ 274,012 | \$ 274,012 |
| Fund Balance - January 1 | <u>2,232,717</u> | <u>2,232,717</u> | <u>2,380,202</u> | <u>147,485</u> |
| Fund Balance - December 31 | <u><u>\$ 2,232,717</u></u> | <u><u>\$ 2,232,717</u></u> | <u><u>\$ 2,654,214</u></u> | <u><u>\$ 421,497</u></u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009**

Governmental Activities

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|--|--------------------------|---------------------------|---|
| January 1, 2008 | \$ - | \$ 2,441,291 | \$ 2,441,291 | 0.0% | \$ 15,384,493 | 15.9% |
| January 1, 2010 | - | 2,557,616 | 2,557,616 | 0.0 | 16,365,401 | 15.6 |

Business-Type Activities

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|--|--------------------------|---------------------------|---|
| January 1, 2008 | \$ - | \$ 2,737,151 | \$ 2,737,151 | 0.0% | \$ 19,736,000 | 13.9% |
| January 1, 2010 | - | 2,763,928 | 2,763,928 | 0.0 | 21,935,687 | 12.6 |

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund, Forfeited Tax Sale Special Revenue Fund, and the Capital Projects Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-summer of each year, all departments and agencies submit requests for appropriations to the Douglas County Auditor/Treasurer so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments.

Encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the General Fund by \$122,453. These expenditures in excess of budget were funded by greater than anticipated revenues.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Other Postemployment Benefits Funding Status

The County implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. See Note 7.E. to the financial statements for more information.

GASB 45 requires a Schedule of Funding Progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

Currently, only two actuarial valuations are available. Future reports will provide additional trend analysis to meet the three most recent valuation funding status requirements as the information becomes available.

SUPPLEMENTARY INFORMATION

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Ditch Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The Library Fund accounts for the operations of the County library. Financing is provided by an annual tax levy and an appropriation from the City of Alexandria.

The Public Health Nurse Fund is used to account for providing nursing service care to the elderly and other residents of Douglas County. All activities necessary to provide such services are accounted for in this fund. Financing is provided by health care service grants, County contributions, and user service charges.

The Forfeited Tax Sale Fund accounts for funds collected per state statute for forfeited tax sales.

DEBT SERVICE FUND

The Bonds and Interest Fund accounts for accumulation of resources for, and payment of, principal and interest on general long-term debt.

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

| | Special Revenue (Statement B-1) | Bonds and Interest Debt Service | Total (Exhibit 3) |
|------------------------------------|--|--|------------------------------|
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 3,919,529 | \$ 3,127,732 | \$ 7,047,261 |
| Undistributed cash in agency funds | 19,573 | 39,046 | 58,619 |
| Petty cash and change funds | 310 | - | 310 |
| Cash with fiscal agent | - | 294,361 | 294,361 |
| Investments | 228,026 | - | 228,026 |
| Taxes receivable | | | |
| Current | 27,015 | 56,727 | 83,742 |
| Delinquent | 11,590 | 22,696 | 34,286 |
| Special assessments receivable | | | |
| Current | 997 | 1,223 | 2,220 |
| Delinquent | 76 | 65 | 141 |
| Noncurrent | 105,423 | 245,534 | 350,957 |
| Accounts receivable | 49,778 | - | 49,778 |
| Accrued interest receivable | 1,097 | - | 1,097 |
| Due from other funds | 5,246 | 8,543 | 13,789 |
| Due from other governments | 324,989 | - | 324,989 |
| Prepaid items | 2,861 | - | 2,861 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ 4,696,510 | \$ 3,795,927 | \$ 8,492,437 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**Statement A-1
(Continued)**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

| | Special Revenue (Statement B-1) | Bonds and Interest Debt Service | Total (Exhibit 3) |
|---|--|--|------------------------------|
| <u>Liabilities and Fund Balances</u> | | | |
| Liabilities | | | |
| Accounts payable | \$ 71,624 | \$ - | \$ 71,624 |
| Salaries payable | 173,504 | - | 173,504 |
| Due to other funds | 17,179 | - | 17,179 |
| Due to other governments | 15,586 | - | 15,586 |
| Deferred revenue - unavailable | 166,193 | 295,778 | 461,971 |
| Deferred revenue - unearned | 114,929 | - | 114,929 |
| Advance from other funds | 160,600 | - | 160,600 |
| | \$ 719,615 | \$ 295,778 | \$ 1,015,393 |
| Fund Balances | | | |
| Reserved for library fund drive | \$ 158,272 | \$ - | \$ 158,272 |
| Reserved for debt service | - | 294,361 | 294,361 |
| Unreserved | | | |
| Designated for debt service | - | 3,205,788 | 3,205,788 |
| Designated for cash flows | 2,613,770 | - | 2,613,770 |
| Designated for capital improvements | 98,544 | - | 98,544 |
| Undesignated | 1,106,309 | - | 1,106,309 |
| | \$ 3,976,895 | \$ 3,500,149 | \$ 7,477,044 |
| Total Fund Balances | \$ 3,976,895 | \$ 3,500,149 | \$ 7,477,044 |
| Total Liabilities and Fund Balances | \$ 4,696,510 | \$ 3,795,927 | \$ 8,492,437 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Special Revenue (Statement B-2) | Bonds and Interest Debt Service | Total (Exhibit 5) |
|--|--|--|------------------------------|
| Revenues | | | |
| Taxes | \$ 1,077,993 | \$ 2,263,216 | \$ 3,341,209 |
| Special assessments | 63,440 | 75,839 | 139,279 |
| Licenses and permits | 190,880 | - | 190,880 |
| Intergovernmental | 1,647,122 | 156,382 | 1,803,504 |
| Charges for services | 2,361,802 | - | 2,361,802 |
| Fines and forfeits | 34,960 | - | 34,960 |
| Gifts and contributions | 97,178 | - | 97,178 |
| Investment earnings | 6,899 | 245 | 7,144 |
| Miscellaneous | 148,700 | - | 148,700 |
| | \$ 5,628,974 | \$ 2,495,682 | \$ 8,124,656 |
| Expenditures | | | |
| Current | | | |
| Health | \$ 4,199,439 | \$ - | \$ 4,199,439 |
| Culture and recreation | 968,865 | - | 968,865 |
| Conservation of natural resources | 91,049 | - | 91,049 |
| Principal | - | 1,560,000 | 1,560,000 |
| Interest | - | 446,064 | 446,064 |
| Administrative charges | - | 2,961 | 2,961 |
| | \$ 5,259,353 | \$ 2,009,025 | \$ 7,268,378 |
| Excess of Revenues Over (Under) | | | |
| Expenditures | \$ 369,621 | \$ 486,657 | \$ 856,278 |
| Other Financing Sources (Uses) | | | |
| Transfers out | - | (245) | (245) |
| | \$ 369,621 | \$ 486,412 | \$ 856,033 |
| Net Change in Fund Balance | | | |
| Fund Balance - January 1 | 3,607,274 | 3,013,737 | 6,621,011 |
| Fund Balance - December 31 | \$ 3,976,895 | \$ 3,500,149 | \$ 7,477,044 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement B-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009**

| | Ditch | Library | Public Health Nurse | Forfeited Tax Sale | Total (Statement A-1) |
|---|---------------------|-------------------|--------------------------------|-------------------------------|----------------------------------|
| <u>Assets</u> | | | | | |
| Cash and pooled investments | \$ 57,073 | \$ 561,678 | \$ 3,300,315 | \$ 463 | \$ 3,919,529 |
| Undistributed cash in agency funds | 1,127 | 11,699 | 6,747 | - | 19,573 |
| Petty cash and change funds | - | 310 | - | - | 310 |
| Investments | - | 98,544 | 129,482 | - | 228,026 |
| Taxes receivable | | | | | |
| Current | - | 17,432 | 9,583 | - | 27,015 |
| Delinquent | - | 6,822 | 4,768 | - | 11,590 |
| Special assessments receivable | | | | | |
| Current | 997 | - | - | - | 997 |
| Delinquent | 76 | - | - | - | 76 |
| Noncurrent | 105,423 | - | - | - | 105,423 |
| Accounts receivable | - | - | 49,778 | - | 49,778 |
| Accrued interest receivable | - | 43 | 1,054 | - | 1,097 |
| Due from other funds | 4,389 | - | 127 | 730 | 5,246 |
| Due from other governments | 12,537 | - | 312,452 | - | 324,989 |
| Prepaid items | - | 2,861 | - | - | 2,861 |
| | \$ 181,622 | \$ 699,389 | \$ 3,814,306 | \$ 1,193 | \$ 4,696,510 |
| Total Assets | \$ 181,622 | \$ 699,389 | \$ 3,814,306 | \$ 1,193 | \$ 4,696,510 |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 200 | \$ 5,135 | \$ 66,289 | \$ - | \$ 71,624 |
| Salaries payable | - | 20,882 | 152,622 | - | 173,504 |
| Due to other funds | 10,348 | - | 6,831 | - | 17,179 |
| Due to other governments | 413 | 29 | 13,951 | 1,193 | 15,586 |
| Deferred revenue - unavailable | 118,620 | 17,870 | 29,703 | - | 166,193 |
| Deferred revenue - unearned | - | - | 114,929 | - | 114,929 |
| Advance from other funds | 160,600 | - | - | - | 160,600 |
| | \$ 290,181 | \$ 43,916 | \$ 384,325 | \$ 1,193 | \$ 719,615 |
| Total Liabilities | \$ 290,181 | \$ 43,916 | \$ 384,325 | \$ 1,193 | \$ 719,615 |
| Fund Balances | | | | | |
| Reserved for library fund drive | \$ - | \$ 158,272 | \$ - | \$ - | \$ 158,272 |
| Unreserved | | | | | |
| Designated for cash flows | - | - | 2,613,770 | - | 2,613,770 |
| Designated for capital improvements | - | 98,544 | - | - | 98,544 |
| Undesignated | (108,559) | 398,657 | 816,211 | - | 1,106,309 |
| | \$ (108,559) | \$ 655,473 | \$ 3,429,981 | \$ - | \$ 3,976,895 |
| Total Fund Balances | \$ (108,559) | \$ 655,473 | \$ 3,429,981 | \$ - | \$ 3,976,895 |
| Total Liabilities and Fund Balances | \$ 181,622 | \$ 699,389 | \$ 3,814,306 | \$ 1,193 | \$ 4,696,510 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Ditch</u> | <u>Library</u> | <u>Public Health Nurse</u> | <u>Forfeited Tax Sale</u> | <u>Total (Statement A-2)</u> |
|---|---------------------|-------------------|--------------------------------|-------------------------------|----------------------------------|
| Revenues | | | | | |
| Taxes | \$ - | \$ 695,104 | \$ 382,889 | \$ - | \$ 1,077,993 |
| Special assessments | 63,440 | - | - | - | 63,440 |
| Licenses and permits | - | - | 190,880 | - | 190,880 |
| Intergovernmental | - | 91,834 | 1,555,288 | - | 1,647,122 |
| Charges for services | - | 4,706 | 2,357,096 | - | 2,361,802 |
| Fines and forfeits | - | 34,960 | - | - | 34,960 |
| Gifts and contributions | - | 10,279 | 86,899 | - | 97,178 |
| Investment earnings | - | 2,310 | 4,589 | - | 6,899 |
| Miscellaneous | - | 1,118 | 147,091 | 491 | 148,700 |
| Total Revenues | \$ 63,440 | \$ 840,311 | \$ 4,724,732 | \$ 491 | \$ 5,628,974 |
| Expenditures | | | | | |
| Current | | | | | |
| Health | \$ - | \$ - | \$ 4,199,439 | \$ - | \$ 4,199,439 |
| Culture and recreation | - | 814,236 | 154,629 | - | 968,865 |
| Conservation of natural resources | 90,558 | - | - | 491 | 91,049 |
| Total Expenditures | \$ 90,558 | \$ 814,236 | \$ 4,354,068 | \$ 491 | \$ 5,259,353 |
| Excess of Revenues Over (Under) Expenditures | \$ (27,118) | \$ 26,075 | \$ 370,664 | \$ - | \$ 369,621 |
| Fund Balance - January 1 | (81,441) | 629,398 | 3,059,317 | - | 3,607,274 |
| Fund Balance - December 31 | \$ (108,559) | \$ 655,473 | \$ 3,429,981 | \$ - | \$ 3,976,895 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 700,026 | \$ 700,026 | \$ 695,104 | \$ (4,922) |
| Intergovernmental | 94,630 | 94,630 | 91,834 | (2,796) |
| Charges for services | 3,400 | 3,400 | 4,706 | 1,306 |
| Fines and forfeits | 28,000 | 28,000 | 34,960 | 6,960 |
| Gifts and contributions | 10,000 | 10,000 | 10,279 | 279 |
| Investment earnings | - | - | 2,310 | 2,310 |
| Miscellaneous | 200 | 200 | 1,118 | 918 |
| Total Revenues | \$ 836,256 | \$ 836,256 | \$ 840,311 | \$ 4,055 |
| Expenditures | | | | |
| Current | | | | |
| Culture and recreation | | | | |
| County library | 836,256 | 836,256 | 814,236 | 22,020 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ - | \$ - | \$ 26,075 | \$ 26,075 |
| Fund Balance - January 1 | 629,398 | 629,398 | 629,398 | - |
| Fund Balance - December 31 | \$ 629,398 | \$ 629,398 | \$ 655,473 | \$ 26,075 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 384,538 | \$ 384,538 | \$ 382,889 | \$ (1,649) |
| Licenses and permits | 173,261 | 173,261 | 190,880 | 17,619 |
| Intergovernmental | 1,514,586 | 1,514,586 | 1,555,288 | 40,702 |
| Charges for services | 2,067,091 | 2,067,091 | 2,357,096 | 290,005 |
| Gifts and contributions | 25,700 | 25,700 | 86,899 | 61,199 |
| Investment earnings | 4,000 | 4,000 | 4,589 | 589 |
| Miscellaneous | 165,026 | 165,026 | 147,091 | (17,935) |
| Total Revenues | \$ 4,334,202 | \$ 4,334,202 | \$ 4,724,732 | \$ 390,530 |
| Expenditures | | | | |
| Current | | | | |
| Health | | | | |
| Nursing service | \$ 4,298,465 | \$ 4,298,465 | \$ 4,199,439 | \$ 99,026 |
| Culture and recreation | | | | |
| Senior citizens | 175,614 | 175,614 | 154,629 | 20,985 |
| Total Expenditures | \$ 4,474,079 | \$ 4,474,079 | \$ 4,354,068 | \$ 120,011 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ (139,877) | \$ (139,877) | \$ 370,664 | \$ 510,541 |
| Fund Balance - January 1 | 3,059,317 | 3,059,317 | 3,059,317 | - |
| Fund Balance - December 31 | \$ 2,919,440 | \$ 2,919,440 | \$ 3,429,981 | \$ 510,541 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
BONDS AND INTEREST DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 2,275,498 | \$ 2,275,498 | \$ 2,263,216 | \$ (12,282) |
| Special assessments | 83,064 | 83,064 | 75,839 | (7,225) |
| Intergovernmental | 149,828 | 149,828 | 156,382 | 6,554 |
| Investment earnings | - | - | 245 | 245 |
| Total Revenues | <u>\$ 2,508,390</u> | <u>\$ 2,508,390</u> | <u>\$ 2,495,682</u> | <u>\$ (12,708)</u> |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | \$ 1,605,000 | \$ 1,605,000 | \$ 1,560,000 | \$ 45,000 |
| Interest | 786,758 | 786,758 | 446,064 | 340,694 |
| Administrative charges | 116,632 | 116,632 | 2,961 | 113,671 |
| Total Expenditures | <u>\$ 2,508,390</u> | <u>\$ 2,508,390</u> | <u>\$ 2,009,025</u> | <u>\$ 499,365</u> |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ 486,657 | \$ 486,657 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (245) | (245) |
| Net Change in Fund Balance | \$ - | \$ - | \$ 486,412 | \$ 486,412 |
| Fund Balance - January 1 | <u>3,013,737</u> | <u>3,013,737</u> | <u>3,013,737</u> | <u>-</u> |
| Fund Balance - December 31 | <u><u>\$ 3,013,737</u></u> | <u><u>\$ 3,013,737</u></u> | <u><u>\$ 3,500,149</u></u> | <u><u>\$ 486,412</u></u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

The Flexible Spending Plans Fund accounts for the payroll deductions of employees enrolled in the flexible spending program.

The State Revenue Fund accounts for the collection and payment of money due to the State of Minnesota.

The Other Collections Fund accounts for prepayment of taxes until tax statements are prepared and the collected taxes can be properly distributed.

The Mental Health Collaborative Fund accounts for the collection and payment of state and federal grants and membership contributions for the Collaborative.

The Flood Control Board Fund accounts for the collections and payments for the joint venture.

The West Central Minnesota Drug Task Force Fund accounts for the collection and payment of special drug-related investigations for the Task Force.

The Taxes and Penalties Fund accounts for the collection and payment of taxes and penalties collected to the various County funds and taxing districts.

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---------------------------------------|------------------------------|----------------------------|----------------------------|--------------------------------|
| <u>FLEXIBLE SPENDING PLANS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | <u>\$ 20,751</u> | <u>\$ 518,955</u> | <u>\$ 496,263</u> | <u>\$ 43,443</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | <u>\$ 20,751</u> | <u>\$ 518,955</u> | <u>\$ 496,263</u> | <u>\$ 43,443</u> |
| <u>STATE REVENUE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 106,928 | \$ 1,640,999 | \$ 1,645,539 | \$ 102,388 |
| Accounts receivable | <u>11,902</u> | <u>16,822</u> | <u>11,902</u> | <u>16,822</u> |
| Total Assets | <u>\$ 118,830</u> | <u>\$ 1,657,821</u> | <u>\$ 1,657,441</u> | <u>\$ 119,210</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | <u>\$ 118,830</u> | <u>\$ 1,657,821</u> | <u>\$ 1,657,441</u> | <u>\$ 119,210</u> |
| <u>OTHER COLLECTIONS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | <u>\$ 44,348</u> | <u>\$ 151,855</u> | <u>\$ 151,711</u> | <u>\$ 44,492</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | <u>\$ 44,348</u> | <u>\$ 151,855</u> | <u>\$ 151,711</u> | <u>\$ 44,492</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

*Statement C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|------------------------------|------------------|-------------------|--------------------------------|
| <u>MENTAL HEALTH COLLABORATIVE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 117,002 | \$ 103,560 | \$ 135,672 | \$ 84,890 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 117,002 | \$ 103,560 | \$ 135,672 | \$ 84,890 |
| <u>FLOOD CONTROL BOARD</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 377 | \$ 10,683 | \$ 1,420 | \$ 9,640 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 377 | \$ 10,683 | \$ 1,420 | \$ 9,640 |
| <u>WEST CENTRAL MINNESOTA DRUG TASK FORCE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 308,604 | \$ 266,390 | \$ 221,328 | \$ 353,666 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 308,604 | \$ 266,390 | \$ 221,328 | \$ 353,666 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

***Statement C-1
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|------------------------------|-----------------------------|-----------------------------|--------------------------------|
| <u>TAXES AND PENALTIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | <u>\$ 492,203</u> | <u>\$ 52,779,032</u> | <u>\$ 52,669,133</u> | <u>\$ 602,102</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | <u>\$ 492,203</u> | <u>\$ 52,779,032</u> | <u>\$ 52,669,133</u> | <u>\$ 602,102</u> |
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 1,090,213 | \$ 55,471,474 | \$ 55,321,066 | \$ 1,240,621 |
| Accounts receivable | <u>11,902</u> | <u>16,822</u> | <u>11,902</u> | <u>16,822</u> |
| Total Assets | <u>\$ 1,102,115</u> | <u>\$ 55,488,296</u> | <u>\$ 55,332,968</u> | <u>\$ 1,257,443</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 20,751 | \$ 518,955 | \$ 496,263 | \$ 43,443 |
| Due to other governments | <u>1,081,364</u> | <u>54,969,341</u> | <u>54,836,705</u> | <u>1,214,000</u> |
| Total Liabilities | <u>\$ 1,102,115</u> | <u>\$ 55,488,296</u> | <u>\$ 55,332,968</u> | <u>\$ 1,257,443</u> |

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OTHER SCHEDULES

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 8

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2009**

| | <u>Number</u> | <u>Interest Rate (%)</u> | <u>Maturity Date</u> | <u>Fair Value</u> |
|--|---------------|------------------------------|---|-----------------------------|
| Deposits and Investments | | | | |
| Cash on hand and departmental checking | N/A | N/A | N/A | \$ 47,215 |
| Cash with brokers | 2 | N/A | N/A | (2,960) |
| Interest-bearing checking | 3 | Variable | Continuous | 1,491,052 |
| Noninterest-bearing checking | 2 | N/A | N/A | 7,070,324 |
| Money market savings | 1 | Variable | Continuous | 37,648 |
| Certificates of deposit | 21 | 1.40 to 2.65 | January 8, 2010 to December 22, 2010 | 3,406,179 |
| Money market savings with brokers | 14 | Variable | Continuous | 20,523,608 |
| Certificates of deposit with brokers | 25 | 0.30 to 4.75 | January 15, 2010 to December 11, 2013 | 3,241,323 |
| Federal Farm Credit Bank | 3 | 3.70 to 6.10 | March 7, 2011 to July 19, 2017 | 2,445,414 |
| Federal Home Loan Bank | 20 | 1.00 to 6.63 | February 18, 2010 to February 16, 2022 | 15,458,450 |
| Federal Home Loan Mortgage Corporation | 31 | 1.33 to 5.50 | July 12, 2010 to September 15, 2022 | 26,000,591 |
| Federal National Mortgage Association | 22 | 2.00 to 6.63 | March 5, 2010 to February 27, 2023 | 15,486,822 |
| Repurchase agreement | 1 | 0.50 | Continuous | 4,051,679 |
| Total Deposits and Investments | | | | <u>\$ 99,257,345</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2009**

| | <u>Cash</u> | <u>Undistributed Cash in Agency Fund</u> | <u>Special Current</u> |
|-----------------------|-------------------------|--|----------------------------|
| Joint Ditches | | | |
| 2 | \$ 4,196 | \$ - | \$ - |
| 3 | 24,101 | 197 | - |
| 4 | 7,276 | - | 26 |
| County Ditches | | | |
| 1 | 2,580 | 3 | - |
| 3 | 2,032 | 459 | 560 |
| 4 and 16 | 1,828 | - | - |
| 5 | 82 | - | - |
| 6 | 1,182 | 61 | 8 |
| 8 | 1,063 | - | - |
| 9 | 3,205 | 16 | - |
| 10 | 772 | 10 | - |
| 11 | 1,532 | - | - |
| 13 | 654 | 58 | 4 |
| 14 | 847 | 232 | 3 |
| 17 | 1,249 | 3 | - |
| 21 | 436 | - | - |
| 22 | 727 | - | - |
| 23 | 2,226 | 17 | - |
| 98 | 1,085 | 71 | 396 |
| Total | <u><u>\$ 57,073</u></u> | <u><u>\$ 1,127</u></u> | <u><u>\$ 997</u></u> |

Schedule 9

| Assets | | | | |
|------------------------|-------------------|----------------------------|----------------------------------|-------------------|
| Assessments Receivable | | Due from Other Funds | Due from Other Governments | Total |
| Prior | Deferred | | | |
| \$ - | \$ 29,507 | \$ 3,219 | \$ 4,500 | \$ 41,422 |
| 57 | - | - | - | 24,355 |
| - | - | - | - | 7,302 |
| 1 | - | - | - | 2,584 |
| - | 17,177 | 227 | 3,486 | 23,941 |
| - | 8,117 | 445 | 412 | 10,802 |
| - | 731 | - | 133 | 946 |
| 8 | 2,197 | - | 123 | 3,579 |
| - | 825 | - | 981 | 2,869 |
| 10 | 8,719 | 10 | 38 | 11,998 |
| - | 4,646 | - | 32 | 5,460 |
| - | 837 | - | 3 | 2,372 |
| - | 1,200 | - | 44 | 1,960 |
| - | 1,383 | - | - | 2,465 |
| - | 6,392 | 428 | 992 | 9,064 |
| - | 3,136 | - | 75 | 3,647 |
| - | 7,799 | - | 1,616 | 10,142 |
| - | 2,741 | - | 42 | 5,026 |
| - | 10,016 | 60 | 60 | 11,688 |
| \$ 76 | \$ 105,423 | \$ 4,389 | \$ 12,537 | \$ 181,622 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2008**

| | <u>Accounts Payable</u> | <u>Due to Other Funds</u> | <u>Due to Other Governments</u> |
|-----------------------|-----------------------------|-----------------------------------|---|
| Joint Ditches | | | |
| 2 | \$ 11 | \$ 3,579 | \$ 21 |
| 3 | 11 | 356 | 21 |
| 4 | 11 | 798 | 21 |
| County Ditches | | | |
| 1 | 11 | 519 | 21 |
| 3 | 11 | 580 | 21 |
| 4 and 16 | 11 | 1,215 | 22 |
| 5 | 10 | 64 | 22 |
| 6 | 11 | 234 | 22 |
| 8 | 11 | 160 | 22 |
| 9 | 11 | 747 | 22 |
| 10 | 10 | 99 | 22 |
| 11 | 10 | 66 | 22 |
| 13 | 10 | 152 | 22 |
| 14 | 10 | 69 | 22 |
| 17 | 10 | 108 | 22 |
| 21 | 10 | 125 | 22 |
| 22 | 10 | 289 | 22 |
| 23 | 11 | 269 | 22 |
| 98 | 10 | 919 | 22 |
| Total | <u><u>\$ 200</u></u> | <u><u>\$ 10,348</u></u> | <u><u>\$ 413</u></u> |

Schedule 9
(Continued)

| Liabilities | | | Fund | Total |
|--------------------|-------------------|-------------------|---------------------|--------------------|
| Deferred | Advance | | Balance | |
| Revenue | from Other | Total | Unreserved | Liabilities |
| | Funds | | Undesignated | and Fund |
| | | | | Balance |
| \$ 34,007 | \$ 35,000 | \$ 72,618 | \$ (31,196) | \$ 41,422 |
| 41 | - | 429 | 23,926 | 24,355 |
| - | - | 830 | 6,472 | 7,302 |
| 1 | - | 552 | 2,032 | 2,584 |
| 21,183 | 65,000 | 86,795 | (62,854) | 23,941 |
| 8,529 | - | 9,777 | 1,025 | 10,802 |
| 864 | 3,100 | 4,060 | (3,114) | 946 |
| 2,336 | 3,000 | 5,603 | (2,024) | 3,579 |
| 1,806 | - | 1,999 | 870 | 2,869 |
| 8,766 | - | 9,546 | 2,452 | 11,998 |
| 4,678 | 13,500 | 18,309 | (12,849) | 5,460 |
| 840 | - | 938 | 1,434 | 2,372 |
| 1,243 | - | 1,427 | 533 | 1,960 |
| 1,383 | - | 1,484 | 981 | 2,465 |
| 7,384 | 17,000 | 24,524 | (15,460) | 9,064 |
| 3,211 | 11,000 | 14,368 | (10,721) | 3,647 |
| 9,416 | 3,000 | 12,737 | (2,595) | 10,142 |
| 2,784 | - | 3,086 | 1,940 | 5,026 |
| 10,148 | 10,000 | 21,099 | (9,411) | 11,688 |
| \$ 118,620 | \$ 160,600 | \$ 290,181 | \$ (108,559) | \$ 181,622 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 10

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

Shared Revenue

State

| | | |
|-----------------------------------|----|-----------|
| Highway users tax | \$ | 4,626,179 |
| Market value credit | | 1,353,541 |
| Market value credit - mobile home | | 7,641 |
| PERA rate reimbursement | | 47,122 |
| Disparity reduction aid | | 6,026 |
| County program aid | | 1,013,926 |
| Police aid | | 178,906 |
| E-911 | | 113,900 |

| | | |
|-----------------------------|-----------|-------------------------|
| Total shared revenue | \$ | <u>7,347,241</u> |
|-----------------------------|-----------|-------------------------|

Reimbursement for Services

State

| | | |
|--|----|------------------|
| Minnesota Department of Human Services | \$ | <u>1,038,145</u> |
|--|----|------------------|

Payments

Local

| | | |
|---------------------------|----|----------------|
| Local contributions | \$ | 22,100 |
| Payments in lieu of taxes | | <u>278,413</u> |

| | | |
|-----------------------|-----------|-----------------------|
| Total payments | \$ | <u>300,513</u> |
|-----------------------|-----------|-----------------------|

Grants

State

| | | |
|--|----|---------------|
| Minnesota Department/Board of | | |
| Corrections | \$ | 158,156 |
| Public Safety | | 77,294 |
| Transportation | | 84,387 |
| Health | | 233,893 |
| Natural Resources | | 163,258 |
| Human Services | | 1,283,267 |
| Water and Soil Resources | | 110,544 |
| Peace Officer Standards and Training Board | | 12,288 |
| Pollution Control Agency | | <u>15,443</u> |

| | | |
|--------------------|-----------|-------------------------|
| Total state | \$ | <u>2,138,530</u> |
|--------------------|-----------|-------------------------|

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**Schedule 10
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

Grants (Continued)

Federal

| | |
|---------------------------------|------------|
| Department of | |
| Agriculture | \$ 433,768 |
| Interior | 194,500 |
| Justice | 146,799 |
| Transportation | 844,413 |
| Health and Human Services | 2,183,175 |
| Homeland Security | 76,101 |
| Environmental Protection Agency | 13,615 |

Total federal **\$ 3,892,371**

Total state and federal grants **\$ 6,030,901**

Total Intergovernmental Revenue **\$ 14,716,800**

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 11

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Douglas County.
- B. A significant deficiency in internal control was disclosed by the audit of financial statements of Douglas County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Douglas County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Douglas County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

| | |
|---|--------------|
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster | |
| State Administrative Matching Grants for SNAP | CFDA #10.561 |
| State Administrative Matching Grants for SNAP - ARRA | CFDA #10.561 |
| Outdoor Recreation Acquisition, Development and Planning | CFDA #15.916 |
| Highway Planning and Construction - ARRA | CFDA #20.205 |
| Child Support Enforcement Cluster | |
| Child Support Enforcement | CFDA #93.563 |
| Child Support Enforcement - ARRA | CFDA #93.563 |
| Social Services Block Grant | CFDA #93.667 |

H. The threshold for distinguishing between Types A and B programs was \$300,000.

I. Douglas County was not determined to be a low-risk auditee.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-4 Segregation of Duties

Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Douglas County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Without proper segregation of duties, errors or irregularities may not be detected timely.

We recommend the County's management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

Client's Response:

Douglas County is aware of this finding and will continue to implement and monitor oversight procedures to ensure that internal control policies are being followed.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (08-1)

During our 2008 audit, we identified material adjustments in the Public Works Special Revenue Fund.

Resolution

During our 2009 audit, no material adjustments were identified.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Publishing Board Minutes and Claims Paid (08-2)

County Board minutes are required by Minn. Stat. § 375.12 to be published within 30 days of the meeting. In 2008, counties were required to include an individualized, itemized list of County Board-approved payments over \$300, including a statement showing the total number of claims that do not exceed the threshold amount and the total dollar amount of those claims.

Resolution

In 2009, the amount for the itemized list was raised to \$2,000, and Douglas County was in compliance with Minn. Stat. § 375.12.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-6 Ditch Special Revenue Fund Deficit

Nine of the 19 ditch systems had deficit fund balances as of December 31, 2009, totaling \$150,224, the largest being \$62,854. These nine ditch deficits combine with the remaining ditch systems to leave the Ditch Special Revenue Fund with a total fund balance deficit of \$108,559. Pursuant to Minn. Stat. § 103E.735, subd. 1 (2009), a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger. In 2010, the repair fund monetary cap was increased to \$100,000. *See* 2010 Minn. Laws, ch. 298, § 7.

We recommend that the County eliminate the individual ditch deficit fund balances by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

Douglas County plans to make continued progress in the elimination of the ditch deficits over the next few years.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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REBECCA OTTO
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Douglas County

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Douglas County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 7, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Douglas County Hospital Operating Enterprise Fund and the Housing and Redevelopment Authority discretely presented component unit, as described in our report on Douglas County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Douglas County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a deficiency in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as item 96-4, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Douglas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Douglas County has no tax increment financing districts.

The results of our tests indicate that, for the items tested, Douglas County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and an other item for consideration. We believe this recommendation and information to be of benefit to Douglas County, and they are reported for that purpose.

Douglas County's written responses to the internal control and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Douglas County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 7, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Douglas County

Compliance

We have audited the compliance of Douglas County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Douglas County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Douglas County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) discretely presented component unit, which expended \$1,158,861 in federal awards during the year ended December 31, 2009, which are not included in the Schedule of Expenditures of Federal Awards. The County's basic financial statements also include the Douglas County Hospital Operating Enterprise Fund blended component unit, which expended \$528,979 in federal awards. Our audit, described below, did not include the operations of either the HRA or the Hospital because they were audited by other auditors. The HRA and the Douglas County Hospital had separate single audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Douglas County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Douglas County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of Douglas County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Douglas County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 7, 2010. Our audit was performed for the purpose of forming opinions on Douglas County's financial statements that collectively comprise the County's basic financial statements. Our audit did not include the Hospital Operating Enterprise Fund or the Housing and Redevelopment Authority of Douglas County, a component unit, which were audited by other auditors. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 7, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|--|------------------------------------|--------------------------|
| U.S. Department of Agriculture | | |
| Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | \$ 173,232 |
| Passed Through Minnesota Department of Human Services State Administrative Matching Grants Cluster | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 240,682 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program -- ARRA | 10.561 | <u>12,236</u> |
| Total U.S. Department of Agriculture | | <u>\$ 426,150</u> |
| U.S. Department of the Interior | | |
| Direct | | |
| Outdoor Recreation Acquisition, Development and Planning | 15.916 | <u>\$ 194,500</u> |
| U.S. Department of Justice | | |
| Direct | | |
| Bulletproof Vest Partnership Program | 16.607 | \$ 4,384 |
| Public Safety Partnership and Community Policing Grants -- ARRA | 16.710 | 36,945 |
| Passed Through Minnesota Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | <u>105,470</u> |
| Total U.S. Department of Justice | | <u>\$ 146,799</u> |
| U.S. Department of Transportation | | |
| Passed Through Minnesota Department of Transportation Highway Planning and Construction -- ARRA | 20.205 | \$ 813,899 |
| Passed Through Minnesota Department of Public Safety Highway Safety Cluster | | |
| State and Community Highway Safety | 20.600 | 18,619 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | 2,195 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | <u>9,700</u> |
| Total U.S. Department of Transportation | | <u>\$ 844,413</u> |
| U.S. Environmental Protection Agency | | |
| Passed Through Minnesota Department of Health State Indoor Radon Grants | 66.032 | <u>\$ 13,615</u> |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 12
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|---------------------|
| U.S. Department of Health and Human Services | | |
| Passed Through Minnesota Board on Aging and West Central Area Agency on Aging Special Programs for the Aging - Title III Part B - Grants for Supportive Services and Senior Centers | 93.044 | \$ 31,500 |
| Passed Through Minnesota Department of Human Services | | |
| Temporary Assistance for Needy Families | 93.558 | 280,127 |
| Child Support Enforcement Cluster | | |
| Child Support Enforcement | 93.563 | 532,936 |
| Child Support Enforcement -- ARRA | 93.563 | 74,340 |
| Refugee and Entrant Assistance - State-Administered Programs | 93.566 | 633 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 32,364 |
| Child Welfare Services - State Grants | 93.645 | 18,002 |
| Foster Care - Title IV-E Cluster | | |
| Foster Care - Title IV-E | 93.658 | 116,082 |
| Foster Care - Title IV-E -- ARRA | 93.658 | 7,473 |
| Social Services Block Grant | 93.667 | 197,729 |
| Chafee Foster Care Independence Program | 93.674 | 12,835 |
| Medical Assistance Program | 93.778 | 673,480 |
| Block Grants for Community Mental Health Services | 93.958 | 1,010 |
| Passed Through Minnesota Department of Health | | |
| Public Health Emergency Preparedness | 93.069 | 51,969 |
| Immunization Grants | 93.268 | 600 |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 36,973 |
| Temporary Assistance for Needy Families | 93.558 | 43,248 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 37,040 |
| Total U.S. Department of Health and Human Services | | \$ 2,148,341 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**Schedule 12
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|---------------------|
| U.S. Department of Homeland Security | | |
| Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance | 97.012 | \$ 11,508 |
| Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 35,373 |
| Passed Through Minnesota Department of Public Safety and West Central Minnesota EMS Corporation | | |
| Emergency Management Performance Grants | 97.042 | 6,585 |
| Homeland Security Grant Program | 97.067 | 10,356 |
| Total U.S. Department of Homeland Security | | \$ 63,822 |
| Total Federal Awards | | \$ 3,837,640 |

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Douglas County. It does not include \$1,158,861 in federal awards expended by the Housing and Redevelopment Authority, a component unit of the County, which had a separate single audit. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Douglas County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Douglas County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Douglas County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

| | |
|---|--------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 3,892,371 |
| Grants received more than 60 days after year-end deferred in 2009 | |
| Child Support Enforcement | 21,600 |
| Foster Care - Title IV-E - ARRA | 1,137 |
| Medical Assistance Program | 3,864 |
| Grants deferred in 2008, recognized as revenue in 2009 | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | (7,618) |
| Medical Assistance Program | (61,435) |
| Emergency Management Performance Grants | (12,279) |
| | <hr/> |
| Expenditures Per Schedule of Expenditures of Federal Awards | \$ 3,837,640 |

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

5. Subrecipients

Of the expenditures presented in the schedule, Douglas County provided federal awards to subrecipients as follows:

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Amount Provided to Subrecipients</u> |
|------------------------|---|---|
| 16.710 | Public Safety Partnership and Community Policing Grants | \$ 36,945 |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | <u>105,470</u> |
| | Total | <u>\$ 142,415</u> |

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.